100TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
100-313

INCREASING THE STATUTORY LIMIT ON THE PUBLIC DEBT

SEPTEMBER 21, 1987.—Ordered to be printed

Mr. ROSTENKOWSKI, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.J. Res. 324]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H.J. Res. 324) increasing the statutory limit on the public debt, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2 and 4.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment, strike out the matter proposed to be inserted by the Senate amendment, and on page 1, line 6, of the House engrossed resolution, strike out "$2,565,100,000,000" and insert the following: *$2,800,000,000,000;* and the Senate agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

H783-8

TITLE I—DEFICIT REDUCTION PROCEDURES

SEC. 101. REFERENCES IN TITLE; SHORT TITLE.

(a) REFERENCES IN TITLE.—Except as otherwise specifically provided, whenever in this title an amendment is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to that section or other provision of the Balanced Budget and Emergency Deficit Control Act of 1985.

(b) SHORT TITLE.—This title may be cited as the "Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987".

SEC. 102. AUTOMATIC TRIGGER FOR FISCAL YEARS 1988 THROUGH 1993; OMB AND CBO REPORTS; PRESIDENTIAL ORDER; COMPUTATION OF BUDGET BASE; SEQUESTRATION RULES FOR FISCAL YEARS 1988 THROUGH 1993.

(a) IN GENERAL.—Sections 251 and 252 of the Act are amended to read as follows:

"SEC. 251. REPORTING OF EXCESS DEFICITS.

"(a) INITIAL ESTIMATES, DETERMINATIONS, AND REPORTS BY OMB AND CBO.—

"(1) ESTIMATES AND DETERMINATIONS.—The Director of the Office of Management and Budget and the Director of the Congressional Budget Office (in this part referred to as the 'Directors') shall with respect to each fiscal year and in accordance with the requirements, specifications, definitions, and calculations required by this part—

"(A) estimate the budget levels of total revenues and outlays that may be anticipated for such fiscal year as of August 15 of the calendar year in which such fiscal year begins (or as of October 10, 1987, in the case of fiscal year 1988),

"(B) determine whether the projected deficit for such fiscal year will exceed the maximum deficit amount for such fiscal year and whether such deficit excess will be greater than $10,000,000,000 (zero in the case of fiscal year 1993),

"(C) estimate the amount of net deficit reduction in the budget baseline that has occurred since January 1 of the calendar year in which such fiscal year begins, and

"(D) estimate the rate of real economic growth that will occur during such fiscal year, the rate of real economic growth that will occur during each quarter of such fiscal year, and the rate of real economic growth that will have occurred during each of the last two quarters of the preceding fiscal year.

"(2) REPORTS.—(A) Based on the estimates and determinations required in paragraph (1) and in accordance with the requirements, specifications, definitions, and calculations required by this part, the Director of the Congressional Budget Office (in this part referred to as the 'Director of CBO') shall issue a report to the Director of the Office of Management and

Budget (in this part referred to as the 'Director of OMB') and to the Congress on August 20 of the calendar year in which the fiscal year begins (or on October 15, 1987, in the case of fiscal year 1988) estimating the budget baseline levels of total revenues and total outlays for such fiscal year, identifying the amount of any deficit excess for such fiscal year, stating whether such excess is greater than $10,000,000,000 (zero in the case of fiscal year 1993), estimating the amount of net deficit reduction in the budget baseline that has occurred since January 1 of the calendar year in which such fiscal year begins, specifying the estimated rate of real economic growth for such fiscal year, for each quarter of such fiscal year, and for each of the last two quarters of the preceding fiscal year, indicating whether the estimate includes two or more consecutive quarters of negative real economic growth, estimating the aggregate amount of required outlay reductions, and specifying, by account for non-defense programs and by account for defense programs the budget baseline from which reductions are taken and the amounts and percentages by which such accounts must be reduced during such fiscal year in order to make the reductions required by this part.

"(B) The Director of OMB shall issue a report to the President and the Congress on August 25 of the calendar year in which the fiscal year begins (or on October 20, 1987, in the case of the fiscal year 1988) containing the same information required in subparagraph (A) and the information required in clauses (i) and (ii) for such fiscal year as follows:

"(i) The Director of OMB shall identify and explain any differences between the amount set forth in such report and the corresponding amount set forth in the report of the Director of CBO under subparagraph (A) with respect to—

"(I) the aggregate amount of required outlay reductions;

"(II) the aggregate amount of resources to be sequestered from defense accounts (by type of sequesterable resource) and from non-defense accounts (by type of sequesterable resource); and

"(III) the amount of sequesterable resources for any budget account that is to be reduced if such difference is greater than $5,000,000.

"(ii) The Director of OMB shall calculate and set forth for defense programs (by type of sequesterable resource) and for non-defense programs (by type of sequesterable resource), the amount of reductions in budgetary resources that would be required by this part using his estimate of the aggregate amount of required outlay reductions and applying the technical assumptions (including outlay rates) and methodologies used in the report of the Director of CBO under subparagraph (A). The Director of OMB shall identify and explain any differences between these estimates and such corresponding amounts set forth under clause (i).

"(iii) In the report for a fiscal year (except fiscal year 1988) issued under this subparagraph, the Director of OMB shall assume that the aggregate outlay rate for defense pro-

grams covered by paragraph (6)(C), calculated using data on sequesterable resources and account outlay rates applicable to such fiscal year, shall not differ by more than one-half of 1 percent from such aggregate outlay rate calculated using the same data on sequesterable resources but using account outlay rates calculated arithmetically using the applicable sequesterable resources and outlays contained in the report submitted under this Act for the preceding fiscal year as proposed by the Director of OMB. For purposes of this subparagraph, an aggregate outlay rate shall be the average of account outlay rates (expressed as a percentage) with each account outlay rate (as defined in section 257(13)) given a weight that is proportional to the account's share of total sequesterable resources. The calculation of the non-defense aggregate outlay rate for programs covered by paragraph (6)(C), shall be determined using the procedures and restrictions used for determining the aggregate defense outlay rate.

"(iv) The report issued under this subparagraph for any fiscal year (except fiscal year 1988) may not assume aggregate outlays for the health insurance programs under title XVIII of the Social Security Act (before taking into account legislation enacted or regulations prescribed after the current services budget is submitted) which deviate by more than 1 percent from the amount of outlays estimated for such programs in the current services budget submitted by the President pursuant to section 1109(a) of title 31, United States Code, for such fiscal year. For fiscal year 1988 the report issued under this subparagraph shall assume aggregate outlays for such programs (before taking into account legislation enacted or regulations promulgated as final after August 20, 1987) equal to the amount assumed for such programs by the Director of OMB in the report submitted to the Temporary Joint Committee on Deficit Reduction on August 20, 1987, except that, unless necessary to comply with requirements provided in law, any change in administrative procedures that increases or decreases the average number of days for the payment of claims under title XVIII of the Social Security Act, compared to such average in the preceding fiscal year, shall not be taken into account for purposes of this Act.

"(C)(i) The technical and economic assumptions used by the Director of CBO to calculate the excess deficit shall also be used by the Director of CBO to calculate the unachieved deficit reduction, required outlay reductions and the amounts and percentages by which budgetary resources must be reduced.

"(ii) The technical and economic assumptions used by the Director of OMB to calculate the excess deficit shall also be used by the Director of OMB to calculate the required outlay reductions, the unachieved deficit reduction and the amounts and percentages by which budgetary resources must be reduced.

"(iii) For fiscal year 1988, except as specified in subparagraph (B)(iv), the Director of OMB shall use the same economic and technical assumptions (including outlay rates) that the Director

of OMB used in the report submitted to the Temporary Joint Committee on Deficit Reduction on August 20, 1987.

"(iv) For fiscal year 1989 and subsequent fiscal years, to the extent that the report submitted by the President for such fiscal year under section 1106(a) of title 31, United States Code, uses economic and technical assumptions (including outlay rates) that differ from those that will be used by the Director of OMB in the report to be submitted under subparagraph (B) for such fiscal year, the report submitted by the President shall explain and identify such differences. Such report shall provide an estimate of the deficit excess and net deficit reduction in the budget baseline consistent with the estimates that will be used by the Director of OMB in the report to be submitted under subparagraph (B) for such fiscal year. The report submitted by the Director of OMB under subparagraph (B) for such fiscal year shall use the economic and technical assumptions that the report submitted by the President indicated would be used by such Director.

"(3) DETERMINATION OF REDUCTIONS.—

"(A) The aggregate amount of required outlay reductions for a fiscal year shall be determined as follows:

"(i) The aggregate required outlay reductions shall be—

"(I) for fiscal year 1988, the amount of unachieved deficit reduction;

"(II) for fiscal year 1989, zero if the deficit excess is equal to or less than $10,000,000,000, or if not, the lesser of the deficit excess or the amount of unachieved deficit reduction; or

"(III) for fiscal year 1990, 1991, 1992, or 1993, zero if the deficit excess for such fiscal year is equal to or less than the amount of the margin for such fiscal year specified in paragraph (10) of section 257, or if not, the amount of the deficit excess for such fiscal year.

The unachieved deficit reduction shall be $23,000,000,000 in the case of fiscal year 1988 and $36,000,000,000 in the case of fiscal year 1989, minus the net deficit reduction in the budget baseline for such fiscal year, but such unachieved deficit reduction shall not exceed $23,000,000,000 in the case of fiscal year 1988 or $36,000,000,000 in the case of fiscal year 1989. Net deficit reduction in the budget baseline for a fiscal year shall be the amount of the estimated deficit for such fiscal year based on laws enacted by, and regulations promulgated as final by, the snapshot date, as measured using the budget baseline specified in paragraph (6), subtracted from the amount of the estimated deficit for such fiscal year based on laws enacted by, and regulations promulgated as final by, January 1 of the calendar year in which such fiscal year begins as measured by using the budget baseline specified in paragraph (6). Both such deficit estimates for a fiscal year shall be made using the same economic and technical assumptions.

"(ii) As used in this paragraph, the term 'snapshot date' means—

"(I) for fiscal year 1988, in the case of an initial report submitted under subsection (a), October 10, 1987, and in the case of a final report submitted under subsection (c), the latest possible date before its submission;

"(II) for fiscal year 1989 and subsequent fiscal years, in the case of an initial report submitted under subsection (a), August 15, and in the case of a final report submitted under subsection (c), the latest possible date before its submission.

"(B) Subject to the exemptions, exceptions, limitations, special rules, and definitions set forth in this section and in sections 255, 256, and 257, one-half of the aggregate required outlay reductions shall be made under accounts within major functional category 050 (in this part referred to as outlays under 'defense programs'), and shall be made in accordance with the rules prescribed in subsection (d), and the other half of the aggregate required outlay reductions shall be made under other accounts of the Federal Government (in this part referred to as 'non-defense programs').

"(C) The amount by which outlays for automatic spending increases scheduled to take effect during the fiscal year are to be reduced shall be credited as reductions in outlays under non-defense programs, and the total amount of reductions in outlays under non-defense programs required under subparagraph (B) shall be reduced accordingly.

"(D) The maximum reduction permissible for each program to which an exception, limitation, or special rule set forth in subsection (c) or (f) of section 256 applies shall be credited as reductions in outlays under non-defense programs, and the amount of reductions in outlays under non-defense programs shall be further reduced by the amount of the reduction determined with respect to each such program.

"(E)(i) Sequestrations and reductions under the remaining non-defense programs shall be applied on a uniform percentage basis so as to reduce new budget authority; new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; obligation limitations; and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974 to the extent necessary to achieve any remaining required outlay reductions; except that each of the programs to which the special rules set forth in subsections (d) and (k) of section 256 apply shall not be reduced by more than the percentages specified in such subsections and the uniform percentage reduction applicable to all other programs under this clause shall be increased (if necessary) to a level sufficient to achieve any remaining required outlay reductions.

"(ii) For purposes of determining reductions under clause (i), any reduction in outlays of the Commodity Credit Corporation under an order issued by the President under section 252 for a fiscal year, with respect to contracts entered into during that fiscal year, that will occur during the succeeding fiscal year, shall be credited as reductions in outlays for the fiscal year in which the order is issued.

The determination of which accounts are within major functional category 050 and which are not, for purposes of subparagraph (B), shall be made by the Directors in a manner consistent with the budget submitted by the President for the fiscal year 1986; except that for such purposes no part of the accounts entitled 'Federal Emergency Management Agency, Salaries and expenses (58-0100-0-1-999)' and 'Federal Emergency Management Agency, Emergency management planning and assistance (58-0101-0-1-999)' shall be treated as being within functional category 050.

"(4) ADDITIONAL SPECIFICATIONS.—The reports submitted under paragraph (2) must also specify (with respect to the fiscal year involved)—

"(A) the amount and percentage increase of the automatic spending increase (if any) which is scheduled to take effect in the case of each program providing for such increases, and the amount and percentage increase (if any) of each such increase which will take effect after reduction under this part;

"(B) the amount of the savings (if any) to be achieved in the application of each of the special rules set forth in subsections (c) through (l) of section 256, along with a statement of (i) the new Federal matching rate resulting from the application of subsection (e) of that section, and (ii) the amount of the percentage reduction in payments to the States under section 204 of the Federal-State Extended Unemployment Compensation Act of 1970; and

"(C)(i) for defense programs, by account, the reduction (stated in terms of both percentage and amount) in new budget authority and unobligated balances, together with the estimated outlay reductions resulting therefrom; and

"(ii) for non-defense programs, by account, the reduction, stated in terms of both percentage and amount, in new budget authority; new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; obligation limitations; and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974; together with the estimated outlay reductions resulting therefrom.

"(5) BASIS FOR DIRECTORS' ESTIMATES, DETERMINATIONS, AND SPECIFICATIONS.—The estimates, determinations, and specifications of the Directors under the preceding provisions of this subsection and under subsection (c) shall utilize the budget baseline, criteria, and guidelines set forth in paragraph (6) and in sections 255, 256, and 257. In estimating the deficit, the excess deficit, and unachieved deficit reduction for an initial report

under paragraph (2) or a final report under subsection (c), the Directors shall use the budget baseline set forth in paragraph (6) based on laws enacted by, and regulations promulgated as final by, the snapshot date applicable to such report.

"*(6) Budget baseline.—In estimating the deficit excess and net deficit reduction in the budget baseline and in computing the amounts and percentages by which accounts must be reduced during a fiscal year as set forth in any report required under this subsection for such fiscal year, the budget baseline shall be determined by—*

"*(A) assuming (subject to subparagraph (B)) the continuation of current revenue law and, in the case of spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, funding for current law at levels sufficient to fully make all payments required under such law;*

"*(B) assuming that expiring provisions of law providing revenues and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974 do expire, except that excise taxes dedicated to a trust fund, and agricultural price support programs administered through the Commodity Credit Corporation are extended at current rates, and contract authority for transportation trust funds is extended at current levels;*

"*(C) in the case of all accounts to which subparagraph (A) does not apply—*

"*(i) assuming for an account (except as provided by clause (ii)), appropriations at the level specified in enacted annual appropriations or continuing appropriations enacted for the entire fiscal year, and in addition, estimates of appropriations to cover the costs of Federal pay adjustments as set forth in subparagraph (D)(ii) (unless funding for such pay adjustments are provided for in such measure as explained in the joint explanatory statement of managers accompanying such appropriations);*

"*(ii) assuming, if no annual appropriations or continuing appropriations for the entire fiscal year have been enacted for an account, subject to subparagraph (D)(iii), appropriations at the level provided for the previous fiscal year, (I) adjusted to reflect the full 12-month costs (without absorption) of the pay adjustment that occurred in such fiscal year, (II) inflated as specified in subparagraph (D)(i), and (III) increased to cover the increased costs to agencies of personnel benefits (other than pay) required by law;*

"*(D)(i) as required by subparagraph (C)(ii)(II), assuming that the inflator shall equal—*

"*(I) in the case of fiscal year 1988—*

"*(aa) for personnel costs, the rate of Federal pay adjustments for statutory pay systems and elements of military pay if such adjustments have been enacted into law or (on or after October 1 of the fiscal year) have been established pursuant to* law for such fiscal year or, if not, 4.2 percent, multiplied by the proportion of the fiscal year for which the pay adjustments will be effective, multiplied by 78 percent; and

"(bb) for all other costs, 4.2 percent;

"(II) in the case of fiscal year 1989 and subsequent fiscal years—

"(aa) for 70 percent of personnel costs, the rate of Federal pay adjustments for statutory pay systems and elements of military pay if such adjustments have been enacted into law or (on or after October 1 of the fiscal year) have been established pursuant to law for such fiscal year or, if not, at the inflation rate specified in subclause (II)(bb), multiplied by the proportion of the fiscal year for which the pay adjustments will be effective, multiplied by 78 percent; and

"(bb) for all other costs, the percentage by which the average of the estimated gross national product implicit price deflator for such fiscal year exceeds the average of such estimated deflator for the prior fiscal year (and the Director of OMB shall use such percentage as estimated in the budget submitted by the President under section 1105(a) for such fiscal year, but such use shall not constrain the economic assumptions the Director may use under paragraph (2)(C));

"(ii) if required by subparagraph (C)(i), assuming appropriations for a fiscal year in an amount sufficient to—

"(I) cover any Federal pay adjustment for statutory pay systems (including associated adjustments in benefit costs) if such adjustments have been enacted into law or, on or after October 1 of the fiscal year, have been established pursuant to law for such fiscal year;

"(II) cover any pay adjustments for elements of military pay (including associated adjustments in benefit costs) if such adjustments are specifically enacted into law or occur pursuant to adjustments for statutory pay systems if such adjustments have been enacted into law or, on or after October 1 of the fiscal year, have been established pursuant to law;

reduced by 22 percent.

"(iii) assuming for the purposes of subparagraph (C)(ii) that the amount provided for an account for the previous fiscal year is the amount provided in any enacted annual appropriations or continuing appropriations enacted for the entire fiscal year, as modified by any enacted supplemental appropriations or rescission bills, and if a temporary continuing appropriation is in effect for the previous fiscal year, then the amount provided for such account for the previous fiscal year shall be assumed to be the amount that would have been enacted if such continuing appropriations were in effect for the entire fiscal year;

"(E) assuming that medicare spending levels for inpatient hospital services will be based upon the regulations most recently issued in final form or proposed by the Health Care Financing Administration pursuant to sections 1886(b)(3)(B), 1886(d)(3)(A), and 1886(e)(4) of the Social Security Act;

"(F) assuming that, unless otherwise required by law, advance deficiency payments and paid land diversion payments under the Agricultural Act of 1949 will be made in accordance with applicable regulations and payment rates for 1987;

"(G) assuming that the increase in revenues attributable to any increase in appropriations available for administration and enforcement of the Internal Revenue Code of 1986 (over the amount actually appropriated for the previous fiscal year) is consistent on a proportional basis with the increase in revenues projected to result from the increased appropriations for such purposes in the budget submitted under section 1105(a) of title 31, United States Code, for such fiscal year;

"(H) assuming, unless otherwise provided by law, that the increase for Veterans' compensation (36-0153-0-1-701) for a fiscal year will be the same as that required by law for Veterans' pensions;

"(I) assuming, for purposes of this paragraph and subparagraph (A)(i) of paragraph (3), that the sale of an asset or prepayment of a loan shall not alter the deficit or produce any net deficit reduction in the budget baseline, except that the budget baseline estimate shall include asset sales mandated by law before September 18, 1987, and routine, ongoing asset sales and loan prepayments at levels consistent with agency operations in fiscal year 1986;

"(J) assuming that deferrals proposed during the period beginning October 1 of such fiscal year and ending with the snapshot date for such fiscal year shall not be taken into account in determining such budget baseline; and

"(K) assuming that the transfer of government actions from one fiscal year to another fiscal year, as described in section 202 of the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, shall not be taken into account except to the extent provided in such section.

Terms used in this paragraph shall have the meanings defined in sections 256 and 257.

"(b) DATES FOR SUBMISSION AND PRINTING OF REPORTS.—Each report submitted under this section shall be submitted to the Federal Register on the day that it is issued and printed on the following day. If the date specified for the submission of a report by the Directors or its printing in the Federal Register under this section falls on a Sunday or legal holiday, such report shall be submitted or printed on the following day.

"(c) REVISED ESTIMATES, DETERMINATIONS, AND REPORTS.—

"(1) REPORTS BY CBO.—On November 15 of fiscal year 1988 and on October 10 of subsequent fiscal years, the Director of

CBO shall issue a revised report to Congress and the Director of OMB—

"(A) indicating whether and to what extent, as a result of laws enacted and regulations promulgated as final after August 15 of the calendar year in which the fiscal year begins (or after October 10, 1987, in the case of the fiscal year 1988) the aggregate amount of required outlay reductions identified in the report submitted under subsection (a)(2)(A) has been eliminated, reduced, or increased,

"(B) adjusting the determinations made under subsection (a)(2)(A) to the extent necessary, and

"(C) specifying by programs, projects, and activities for defense accounts, the budget baseline from which reductions are taken and the amounts and percentages by which such programs, projects, and activities must be reduced.

"(2) REPORTS BY OMB.—On November 20 of fiscal year 1988 and on October 15 of subsequent fiscal years, the Director of OMB shall submit to the President and the Congress a report revising the report issued under subsection (a)(2)(B), adjusting the estimates, determinations, and specifications contained in the report and taking into account for the purposes of required determinations and comparisons the revised report issued by the Director of CBO under paragraph (1). This report shall contain all of the determinations and comparisons required in, and shall be based on the same economic and technical assumptions, employ the same methodologies, and utilize the same definition of the budget baseline and the same criteria and guidelines as, the report issued under subsection (a)(2)(B), and shall provide for the determination of reductions in the manner specified in subsection (a)(3). In addition, this report shall specify by programs, projects, and activities for defense accounts, the budget baseline from which reductions are taken and the amounts by which such programs, projects, and activities must be reduced.

"(d) SEQUESTRATION OF DEFENSE PROGRAMS.—

"(1) DETERMINATION OF UNIFORM PERCENTAGE.—The total amount of reductions in outlays under defense programs required for a fiscal year under subsection (a)(3)(B) shall be calculated as a percentage of the total amount of outlays for the fiscal year estimated to result from new budget authority and unobligated balances for defense programs.

"(2) SEQUESTRATION OF NEW BUDGET AUTHORITY AND UNOBLIGATED BALANCES.—

"(A) Sequestration to achieve the required reduction in outlays under defense programs shall be made by reducing new budget authority and unobligated balances (if any) in each program, project, or activity under accounts within defense programs by the percentage determined under paragraph (1), computed on the basis of the combined outlay rate for new budget authority and unobligated balances for such program, project, or activity determined under subparagraph (B).

"(B) If the outlay rate for unobligated balances is not available for any program, project, or activity, the outlay rate used shall be the outlay rate for new budget authority.

"(3) FLEXIBILITY WITH RESPECT TO MILITARY PERSONNEL ACCOUNTS.—

"(A) Notwithstanding paragraphs (1) and (2), with respect to a fiscal year the President may, with respect to any military personnel account—

"(i) exempt any program, project, or activity within such account from the order;

"(ii) provide for a lower uniform percentage to be applied to reduce any program, project, or activity within such account than would otherwise apply; or

"(iii) take actions described in both clauses (i) and (ii).

"(B) If the President uses the authority under subparagraph (A), the total amount by which outlays are not reduced for such fiscal year in military personnel accounts by reason of the use of such authority shall be determined. Additional reductions in outlays under defense programs in such total amount shall be achieved by a uniform percentage sequestration of new budget authority and unobligated balances in each program, project, and activity within each account within major functional category 050 other than those military personnel accounts for which the authority provided under subparagraph (A) has been exercised, computed on the basis of the outlay rate for each such program, project, and activity determined under paragraphs (1) and (2).

"(C) The President may not use the authority provided by subparagraph (A) unless he notifies the Congress on or before October 10, 1987, in the case of fiscal year 1988, or August 15 of the calendar year in which the fiscal year begins in the case of any subsequent fiscal year, of the manner in which such authority will be exercised. The Directors shall reflect the results of authority exercised under this paragraph in the reports required under section 251(a)(2).

"(e) EXCEPTION.—The preceding provisions of this section shall not apply if a declaration of war by the Congress is in effect.

"SEC. 252. PRESIDENTIAL ORDER.

"(a) ISSUANCE OF INITIAL ORDER.—

"(1) IN GENERAL.—On August 25 (or October 20, 1987, in the case of fiscal year 1988), following the submission of a report by the Director of OMB under section 251(a)(2)(B), the President, in strict accordance with the requirements of paragraph (2) and section 251(a) (3) and (4) and subject to the exemptions, exceptions, limitations, special rules, and definitions set forth in sections 255, 256, and 257, shall make all the reductions specified in such report by issuing an order that (notwithstanding the Impoundment Control Act of 1974)—

"(A) in accordance with such report, suspends the operation of each provision of Federal law that would (but for

such order) require an automatic spending increase to take effect during such fiscal year in such a manner as to prevent such increase from taking effect, or reduce such increase, in accordance with such report; and

"(B) in accordance with such report, sequesters new budget authority; unobligated balances; new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974; and obligation limitations—

"(i) for funds provided in annual appropriation Acts, from each affected program, project, and activity (as set forth in the most recently enacted applicable appropriation Acts and accompanying committee reports for the program, project, or activity involved, including joint resolutions providing continuing appropriations and committee reports accompanying Acts referred to in such resolutions), applying the same reduction percentage as the percentage by which the account involved is reduced in the report submitted under section 251(a)(2)(B) or from each affected budget account if the program, project, or activity is not so set forth, and

"(ii) for funds not provided in annual appropriation Acts, from each budget account activity as identified in the program and financing schedules contained in the appendix to the Budget of the United States Government for that fiscal year, applying the same reduction percentage as the percentage by which the account is reduced in such report.

"(2) ORDER TO BE BASED ON DIRECTOR OF OMB'S REPORT.—The order must provide for reductions in the manner specified in section 251(a)(3), must incorporate the provisions of the report submitted under section 251(a)(2)(B), and must be consistent with such report in all respects. The President may not modify or recalculate any of the estimates, determinations, specifications, bases, amounts, or percentages set forth in such report in determining the reductions to be specified in the order with respect to programs, projects, and activities, or with respect to budget activities, within an account.

"(3) ORDER REQUIRED IF NO REDUCTIONS ARE NEEDED.—If the report submitted under section 251(a)(2)(B) states that no aggregate outlay reductions are required for a fiscal year, the order issued by the President shall so state.

"(4) EFFECT OF SEQUESTRATION UNDER INITIAL ORDER.—

"(A) IN GENERAL.—Notwithstanding section 257(7), amounts sequestered under an order issued by the President under paragraph (1) shall be withheld from obligation or expenditure pending the issuance of a final order under subsection (b) and shall be permanently sequestered or reduced in accordance with such final order upon the issuance of such order.

"(B) SPECIAL RULE CONCERNING REDUCTION OF PAYMENTS UNDER THE MEDICARE PROGRAM.—

"(i) In general.—With respect to services furnished during the interim period (as defined in clause (iii)) for any fiscal year, and notwithstanding any other provision of this Act, payments under the health insurance programs under title XVIII of the Social Security Act shall not be reduced by an initial order under this subsection for that fiscal year.

"(ii) Director of OMB to determine annualized percentage reduction.—The Director of OMB, in consultation with the Secretary of Health and Human Services, shall determine a percentage reduction which shall appiy to payments under the health insurance programs under title XVIII of the Social Security Act for services furnished in any fiscal year after the interim period for that year, such that the reduction made in such payments under the final order under subsection (b) for that year shall achieve a total reduction of 2 percent (or, if lower, the uniform percentage reduction provided under section 251(a)(3)(E)(i)) in such payments for such fiscal year as determined on a 12-month basis.

"(iii) Interim period.—In this subparagraph, the term 'interim period' means, with respect to a fiscal year, the period beginning on October 1 of the fiscal year and ending on the date of the issuance of the final order under subsection (b) with respect to that fiscal year.

"(5) Accompanying message.—Not later than the 15th day beginning after the President issues an initial order under paragraph (1) for any fiscal year, the President shall transmit to both Houses of Congress a single message containing all the information required by section 251(a)(4) and further specifying in strict accordance with paragraph (2)—

"(A) within each account, for each program, project, and activity, or budget account activity, the base from which each sequestration or reduction is taken and the amounts which are to be sequestered or reduced for each such program, project, and activity or budget account activity; and

"(B) such other supporting details as the President may determine to be appropriate.

Upon receipt in the Senate and the House of Representatives, the message (and any accompanying proposals made under subsection (c)(1)) shall be referred to all committees with jurisdiction over programs, projects, and activities affected by the order.

"(6) Effective date of initial order.—

"(A) Fiscal year 1988.—The order issued by the President under paragraph (1) with respect to fiscal year 1988 shall be effective as of the day it is issued (and the President shall withhold from obligation or expenditure as provided in paragraph (4), pending the issuance of the final order under subsection (b), any amounts that are sequestered under such order).

"(B) Fiscal years 1989–1993.—The order issued by the President under paragraph (1) with respect to the fiscal

year 1989 or any subsequent fiscal year shall be effective as of October 1 of such fiscal year (and the President shall withhold from obligation or expenditure as provided in paragraph (4), pending the issuance of the final order under subsection (b), any amounts that are sequestered under such order).

"(7) Treatment of automatic spending increases.—

"(A) Fiscal years 1987–1993.—Notwithstanding any other provision of law, any automatic spending increase that would (but for this clause) be first paid during the period beginning with the first day of such fiscal year and ending with the date on which a final order is issued pursuant to subsection (b) shall be suspended until such final order becomes effective, and the amounts that would otherwise be expended during such period with respect to such increases shall be withheld. If such final order provides that automatic spending increases shall be reduced to zero during such fiscal year, the increases suspended pursuant to the preceding sentence and any legal rights thereto shall be permanently cancelled. If such final order provides for the payment of the full amount of such increases, the increases suspended pursuant to such sentence shall be restored to the extent necessary to pay such reduced or full increases, and lump-sum payments in the amounts necessary to pay such reduced or full increases shall be made, for the period for which such increases were suspended pursuant to this clause.

"(B) Prohibition against recoupment.—Notwithstanding subparagraph (A), if an amount required to be withheld is paid, no recoupment shall be made against an individual to whom payment was made.

"(C) Effect of lump-sum payments on needs-related programs.—Lump-sum payments made under the last sentence of subparagraph (A) shall not be considered as income or resources or otherwise taken into account in determining the eligibility of any individual for aid, assistance, or benefits under any Federal or federally assisted program which conditions such eligibility to any extent upon the income or resources of such individual or his or her family or household, or in determining the amount or duration of such aid, assistance, or benefits.

"(b) Issuance of Final Order.—

"(1) In general.—On October 15 of the fiscal year (or on November 20, ~~1987, in~~ the case of fiscal year 1988), after the submission of the revised report by the Director of OMB under section 251(c)(2), the President shall issue a final order under this section to make all of the reductions and sequestrations specified in such report, but only to the extent and in the manner provided in such report. The order issued under this subsection—

"(A) shall include the same reductions and sequestrations as the initial order issued under subsection (a), adjusted to the extent necessary to take account of any changes in relevant amounts or percentages determined by the Director of

OMB in the revised report submitted under section 251(c)(2), and shall include a reduction in payments under the health care programs under title XVIII of the Social Security Act determined in accordance with subsection (a)(4)(B)(ii),

"(B) shall make such reductions and sequestrations in strict accordance with the requirements of sections 251(a)(3) and (4), and

"(C) shall utilize the same criteria and guidelines as those which were used in the issuance of such initial order under subsection (a).

The provisions of section 251(a)(3) shall apply to the revised report submitted under section 251(c)(2) and to the order issued under this subsection in the same manner as such provisions apply to the initial report issued under section 251(a)(2)(B) and to the order issued under subsection (a).

"(2) ORDER REQUIRED IF DEFICIT REDUCTION IS ACHIEVED.—If the Director of OMB issues a revised report under section 251(c)(2) stating that as a result of laws enacted and regulations promulgated as final after August 15 of the calendar year in which such fiscal year begins (or October 10, 1987, in the case of fiscal year 1988) no deficit reduction is necessary to fully satisfy the requirements of section 251(a)(3)(A), the order issued under this subsection shall so state and shall make available for obligation and expenditure any amounts withheld pursuant to subsection (a)(4) or (a)(7).

"(3) EFFECTIVE DATE OF FINAL ORDER.—

"(A) The final order issued by the President under paragraph (1) shall become effective on the date of its issuance, and shall supersede the initial order issued under subsection (a)(1).

"(B) Any modification or suspension by such order of the operation of a provision of law that would (but for such order) require an automatic spending increase to take effect during the fiscal year shall apply for the one-year period beginning with the date on which such automatic increase would have taken effect during such fiscal year (but for such order).

"(4) ACCOMPANYING MESSAGE.—Not later than the 15th day beginning after the President issues a final order under paragraph (1) for any fiscal year, the President shall transmit to both Houses of Congress a single message in the same manner as, and containing all the information required by, subsection (a)(5).

"(c) PROPOSAL OF ALTERNATIVES BY THE PRESIDENT.—

"(1) IN GENERAL.—A message transmitted pursuant to subsection (a)(5) with respect to a fiscal year may be accompanied by a proposal setting forth in full detail alternative ways to reduce the deficit for such fiscal year in an amount not less than the deficit reduction required under section 251(a)(3) for such fiscal year.

"(2) FLEXIBILITY AMONG DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES.—

"(A) Subject to subparagraphs (B), (C), and (D), and subsection (d), new budget authority and unobligated balances for any programs, projects, or activities within major functional category 050 (other than a military personnel account) may be further reduced beyond the amount specified in an order issued by the President under subsection (b)(1) for such fiscal year. To the extent such additional reductions are made and result in additional outlay reductions, the President may provide for lesser reductions in new budget authority and unobligated balances for other programs, projects, or activities within major functional category 050 for such fiscal year, but only to the extent that the resulting outlay increases do not exceed the additional outlay reductions, and no such program, project, or activity may be increased above the level actually made available by law in appropriation Acts (before taking sequestration into account). In making calculations under this subparagraph, the President shall use account outlay rates that are identical to those used in the report by the Director of OMB under section 251(c)(2).

"(B) No actions taken by the President under subparagraph (A) for a fiscal year may result in a domestic base closure or realignment that would otherwise be subject to section 2687 of title 10, United States Code.

"(C) The President may not exercise the authority provided by this paragraph for a fiscal year unless—

"(i) the President submits a single report to Congress specifying changes proposed to be made for such fiscal year pursuant to this paragraph; and

"(ii) a joint resolution affirming or modifying the changes proposed by the President pursuant to this paragraph becomes law.

"(D) Within 5 calendar days of session after the President submits a report to Congress under subparagraph (C)(i) for a fiscal year, but before November 25, 1987, for fiscal year 1988 or, in the case of any subsequent fiscal year, before October 20 of such fiscal year, the majority leader of each House of Congress shall (by request) introduce a joint resolution which contains provisions affirming the changes proposed by the President pursuant to this paragraph.

"(E)(i) The matter after the resolving clause in any joint resolution introduced pursuant to subparagraph (D) shall be as follows: 'That the report of the President as submitted on [Insert Date] under section 252(c)(2)(C)(i) is hereby approved.'.

"(ii) The title of the joint resolution shall be 'Joint resolution approving the report of the President submitted under section 252(c)(2)(C)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.'.

"(iii) Such joint resolution shall not contain any preamble.

"(F)(i) A joint resolution introduced in the House of Representatives under subparagraph (D) shall be referred to the Committee on Appropriations, and if not reported within 5

calendar days (excluding Saturdays, Sundays, and legal holidays) from the date of introduction shall be considered as having been discharged therefrom and shall be placed on the appropriate calendar pending disposition of such joint resolution in accordance with this subsection.

"(ii) A joint resolution introduced in the Senate under subparagraph (D) shall be referred to the Committee on Appropriations, and if not reported within 5 calendar days (excluding Saturdays, Sundays, and legal holidays) from the date of introduction shall be considered as having been discharged therefrom and shall be placed on the appropriate calendar pending disposition of such joint resolution in accordance with this subsection. In the Senate, no amendment made in the Committee on Appropriations shall be in order other than an amendment (in the nature of a substitute) that is germane or relevant to the provisions of the joint resolution or to the order issued under section 252(b)(1) insofar as they relate to major function 050 (national defense).

"(iii) On or after the third calendar day (excluding Saturdays, Sundays, and legal Holidays) beginning after a joint resolution is placed on the appropriate calendar, notwithstanding any rule or precedent of the Senate, including Rule 22 of the Standing Rules of the Senate, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the respective House to move to proceed to the consideration of the joint resolution, and all points of order against the joint resolution (and against consideration of the joint resolution) are waived, except for points of order under titles III and IV of the Congressional Budget Act of 1974. The motion is not in order after the eighth calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after such joint resolution is placed on the appropriate calendar. The motion is highly privileged in the House of Representatives and is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint resolution is agreed to, the respective House shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the joint resolution shall remain the unfinished business of the respective House until disposed of.

"(G)(i) In the Senate, debate on a joint resolution introduced under subparagraph (D), amendments thereto, and all debatable motions and appeals in connection therewith shall be limited to not more than 10 hours, which shall be divided equally between the majority leader and the minority leader (or their designees). In the House, general debate on a joint resolution introduced under subparagraph (D) shall be limited to not more than 4 hours which shall be

equally divided between the chairman of the Committee on Appropriations and the ranking minority member of such committee.

"(ii) A motion to postpone, or a motion to proceed to the consideration of other business is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order. In the Senate, a motion to recommit the joint resolution is not in order. In the House, a motion further to limit debate is in order and not debatable. In the House, a motion to recommit, with or without instructions, is in order.

"(H)(i) In the House of Representatives, an amendment and any amendment to an amendment is debatable for not to exceed 30 minutes to be equally divided between the proponent of the amendment and a Member opposed thereto.

"(ii) No amendment that is not germane or relevant to the provisions of the joint resolution or to the order issued under section 252(b)(1) insofar as they relate to major function 050 (national defense) shall be in order in the Senate. In the Senate, an amendment, any amendment to an amendment, or any debatable motion or appeal is debatable for not to exceed 30 minutes to be equally divided between the majority leader and the minority leader (or their designees).

"(iii) In the Senate, an amendment that is otherwise in order shall be in order notwithstanding the fact that it amends the joint resolution in more than one place or amends language previously amended. It shall not be in order in the Senate to vote on the question of agreeing to such a joint resolution or any amendment thereto unless the figures then contained in such joint resolution or amendment are mathematically consistent.

"(iv) It shall not be in order in the Senate to consider any amendment to any joint resolution introduced under subparagraph (D) or any conference report thereon if such amendment or conference report would have the effect of decreasing any specific budget outlay reductions below the level of such outlay reductions provided in such joint resolution unless such amendment or conference report makes a reduction in other specific budget outlays at least equivalent to any increase in outlays provided by such amendment or conference report.

"(v) For purposes of the application of clause (iv), the level of outlays and specific budget outlay reductions provided in an amendment shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.

"(I) Immediately following the conclusion of the debate on a joint resolution introduced under subparagraph (D), a single quorum call at the conclusion of the debate if requested in accordance with the rules of the appropriate House, and the disposition of any amendments under subparagraph (H) (except in the House of Representatives for the motion to recommit and the disposition of any amend-

ment proposed in a motion to recommit which has been adopted), the vote on final passage of the joint resolution shall occur.

"(J) Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a joint resolution described in subparagraph (D) shall be decided without debate.

"(K) In the Senate, points of order under titles III and IV of the Congressional Budget Act of 1974 (including points of order under sections 302(c), 303(a), 306, and 401(b)(1)) are applicable to a conference report on the joint resolution or any amendments in disagreement thereto.

"(L) If, before the passage by the Senate of a joint resolution of the Senate introduced under subparagraph (D), the Senate receives from the House of Representatives a joint resolution introduced under subparagraph (D), then the following procedures shall apply:

"(i) The joint resolution of the House of Representatives shall not be referred to a committee.

"(ii) With respect to a joint resolution introduced under subparagraph (D) in the Senate—

"(I) the procedure in the Senate shall be the same as if no joint resolution had been received from the House; but

"(II)(aa) the vote on final passage shall be on the joint resolution of the House if it is identical to the joint resolution then pending for passage in the Senate; or

"(bb) if the joint resolution from the House is not identical to the joint resolution then pending for passage in the Senate and the Senate then passes it, the Senate shall be considered to have passed the joint resolution as amended by the text of the Senate joint resolution.

"(iii) Upon disposition of the joint resolution received from the House, it shall no longer be in order to consider the joint resolution originated in the Senate.

"(M) If the Senate receives from the House of Representatives a joint resolution introduced under subparagraph (D) after the Senate has disposed of a Senate originated joint resolution which is identical to the House passed joint resolution, the action of the Senate with regard to the disposition of the Senate originated joint resolution shall be deemed to be the action of the Senate with regard to the House originated joint resolution. If it is not identical to the House passed joint resolution, then the Senate shall be considered to have passed the joint resolution of the House as amended by the text of the Senate joint resolution.

"(d) Existing Programs, Projects, and Activities Not To Be Eliminated.—No action taken by the President under subsection (a) or (b) of this section shall have the effect of eliminating any program, project, or activity of the Federal Government.

"(e) Relative Budget Priorities Not To Be Altered.—Nothing in the preceding provisions of this section shall be construed to give the President new authority to alter the relative priorities in the Federal budget that are established by law, and no person who is or becomes eligible for benefits under any provision of law shall be denied eligibility by reason of any order issued under this part.

"(f) Part-Year Appropriations.—

"(1) Effect of final order on part-year appropriation.—If, at the time the President issues a final order for any fiscal year, there is in effect an Act making or continuing appropriations for part of the fiscal year for any budget account which is subject to reduction under the order, then the amount sequestered upon issuance of the order for that account shall be equal to the reduction amount for such account required by the final order multiplied by a fraction the numerator of which is the number of days during the fiscal year with respect to which the Act applies and the denominator of which is 365.

"(2) Effect of subsequent appropriation on final order.—

"(A) If, after the issuance of a final order for a fiscal year under subsection (b), an Act referred to in paragraph (1) is extended or an Act making or continuing appropriations for part of the fiscal year for the account is enacted, then additional amounts determined in the same manner shall be sequestered.

"(B) Upon enactment of a full-year appropriation (including a continuing appropriation for the full year) for the account, the full amount of the sequestration specified by the final order, reduced by the sum of amounts previously sequestered and savings achieved by such appropriation measure when the amount enacted is less than the budget baseline for such account, shall be sequestered, except that the sum shall not exceed the amount specified in the final order for the account.

"(3) Effective date of sequestrations.—Amounts required to be sequestered by the President under paragraph (1) or (2) shall be sequestered not later than the close of the fifth calendar day beginning after the date of enactment into law of the relevant Act referred to in paragraph (1) or (2).

"(g) Printing of Orders.—Each initial order and final order issued under this section shall be submitted to the Federal Register on the date it is issued and printed on the following day. If the date specified for the issuance of an order or its printing in the Federal Register under this section falls on a Sunday or legal holiday, such order shall be issued or printed on the following day.".

(b) Conforming Amendments.—

(1) Congressional procedures.—Section 254(b)(1)(A) of the Act is amended by striking out "the Comptroller General under section 251(c)(2)" and by inserting in lieu thereof "the Director of OMB under section 251(c)(2)".

(2) Sequestrations.—Section 256(a)(2) of the Act is amended to read as follows:

"(2) Sequestrations.—Any amounts of new budget authority; unobligated balances; new loan guarantee commitments or limi-

tations; new direct loan obligations, commitments, or limitations; spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974; or obligation limitations which are sequestered or automatic spending increases which are reduced under an order issued under section 252 are permanently cancelled or reduced; with the exception of amounts sequestered or reduced in special or trust funds, which shall remain in such funds and be available in accordance with and to the extent permitted by law, including the provisions of this Act.".

(3) TREATMENT OF OBLIGATED BALANCES.—Section 256(l) of the Act is amended to read as follows:

"(l) TREATMENT OF OBLIGATED BALANCES.—Obligated balances shall not be subject to reduction under an order issued under section 252.".

(4) DEFINITION OF SEQUESTRATION.—Section 257(7) of the Act is amended to read as follows:

"(7) The terms 'sequester' and 'sequestration' (subject to section 252(a)(4)) refer to or mean the reduction or cancellation of new budget authority; unobligated balances, new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974; and obligation limitations.".

(5) DEFINITION OF SEQUESTERABLE RESOURCE.—Section 257 of the Act is amended by adding after paragraph (8) the following new paragraph:

"(9) The term 'sequesterable resource' means new budget authority; unobligated balances; new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974; and obligation limitations for budget accounts, programs, projects, and activities that are not exempt from reduction or sequestration under this part.".

(6) CLARIFYING AMENDMENT RESPECTING APPROPRIATED ENTITLEMENTS.—Section 257 of the Act is amended by adding after paragraph (10) the following new paragraph:

"(11) As used in this part, all references to section 401(c)(2) of the Congressional Budget Act of 1974 shall include (but are not limited to) payments to any person or government under terms of law for the following programs:

"(A) Claims, defense (97-0102-0-1-051).

"(B) Veterans compensation (36-0153-0-1-701).

"(C) Veterans pensions (36-0154-0-1-701).

"(D) Burial benefits and miscellaneous assistance (36-0155-0-1-701).

"(E) Readjustment benefits (36-0137-0-1-702).

"(F) Loan guaranty revolving fund (36-4025-0-3-704).

"(G) Guaranteed student loans (91-0230-0-1-502).

"(H) Social services block grant (75-1634-0-1-506).

"(I) Family social services (75-1645-0-1-506).

"(J) Rehabilitation services and handicapped research (91-0301-0-1-506).

"(K) Grants to States for medicaid (75-0512-0-1-551).

"(L) Special benefits for disabled coal miners (75-0409-0-1-601).

"(M) Black lung disability trust fund (20-8144-0-7-601).

"(N) Special benefits (16-1521-0-1-602).

"(O) Federal unemployment benefits and allowances (16-0326-0-1-603).

"(P) Supplemental security income program (75-0406-0-1-609).

"(Q) Family support payments to States (75-1501-0-1-609).

"(R) Food stamp program (12-3505-0-1-605).

"(S) Child nutrition programs (12-3539-0-1-605).

"(T) Retired pay, coast guard (69-0241-0-1-403).

"(U) Government payment for annuitants, employees health benefits (24-0206-0-1-551).".

(7) DEFINITIONS OF ASSET SALE AND LOAN PREPAYMENT.—Section 257 of the Act is amended by adding after paragraph (11) the following new paragraph:

"(12) The sale of an asset means the sale to the public of any asset, whether physical or financial, owned in whole or in part by the United States. The term 'prepayment of a loan' means payments to the United States made in advance of the schedules set by law or contract when the financial asset is first acquired, such as the prepayment to the Federal Financing Bank of loans guaranteed by the Rural Electrification Administration. If a law or contract allows a flexible payment schedule, the term 'in advance' shall mean in advance of the slowest payment schedule allowed under such law or contract.".

(8) DEFINITION OF OUTLAY RATE.—Section 257 of the Act is amended by adding after paragraph (12) the following new paragraphs:

"(13) The term 'outlay rate', with respect to any budget account, program, project, or activity, means—

"(A) the ratio of outlays resulting in the fiscal year involved from new budgetary resources for such budget account, program, project, or activity to such new budgetary resources; or

"(B) the ratio of outlays resulting in the fiscal year involved from unobligated balances for such budget account, program, project, or activity to such unobligated balances.

"(14) The term 'combined outlay rate', with respect to any budget account, program, project, or activity, means the weighted average (by budgetary resources) of the ratios determined under subparagraphs (A) and (B) of paragraph (13) for such budget account, program, project, or activity.".

(9) ALTERNATE PROCEDURES.—Section 274(f) of the Act is amended—

(A) by striking out paragraph (1) and by inserting in lieu thereof the following new paragraph:

"(1) In the event that any of the reporting procedures described in section 251 are invalidated, then any report of the Director of CBO under section 251(a)(2)(A) or 251(c)(1) shall be

transmitted to the joint committee established under this subsection.".

(B) in paragraphs (2) and (3) by striking out "Directors" both places it appears therein and by inserting in lieu thereof "Director of CBO"; and

(C) in paragraph (5) by striking out "section 251 (b) or (c)(2)" and by inserting in lieu thereof "section 251 (a)(2)(B) or (c)(2)".

(10) COMPTROLLER GENERAL'S ESTIMATES.—Subsection (h) of section 274 of the Act is amended—

(A) by striking out "Comptroller General" both times it appears therein and by inserting in lieu thereof "Director of OMB" and by striking out "section 251(b)" and by inserting in lieu thereof "section 251(a)(2)(B)"; and

(B) by striking out ", assumptions, and methodologies" and by inserting in lieu thereof "and economic assumptions".

(11) CONFORMING MEDICARE AMENDMENT.—Section 256(d)(1)(B) of the Act is amended by inserting after "2 percent" the following: "(or such higher percentage as may apply as determined in accordance with section 252(a)(4)(B)(ii))".

SEC. 103. COMPLIANCE REPORT BY COMPTROLLER GENERAL.

Section 253 of the Act is amended to read as follows:

"SEC. 253. COMPLIANCE REPORT BY COMPTROLLER GENERAL.

"On or before November 15 of each fiscal year (or December 15, 1987, in the case of the fiscal year 1988), the Comptroller General shall submit to the Congress and the President a report on—

"(1) the extent to which each order issued by the President under section 252 for such fiscal year complies with all of the requirements contained in section 252, either certifying that the order fully and accurately complies with such requirements or indicating the respects in which it does not;

"(2) the extent to which each report of the Director of OMB under section 251 for such fiscal year complies with all of the requirements contained in this part, either certifying that the report fully and accurately complies with such requirements or indicating the respects in which it does not; and

"(3) any recommendations of the Comptroller General for improving the procedures set forth in this part.".

SEC. 104. EXEMPT PROGRAMS AND ACTIVITIES.

(a) CLARIFYING AMENDMENTS.—(1) Section 255(h) of the Act is amended by including after the item relating to child nutrition the following new item:

"Commodity supplemental food program (12-3512-0-1-605);".

(2) Section 255(g)(1) of the Act is amended—

(A) by inserting after the item relating to intragovernmental funds the following new item:

"Medical facilities guarantee and loan fund, Federal interest subsidies for medical facilities (75-4430-03-551);".

(B) by inserting after the item relating to the Health Education Assistance Loan Program the following new item:

"Higher education facilities loans and insurance (91-0240-01-502);".

(C) by inserting after the item relating to the Bonneville Power Administration the following new item:

"Bureau of Indian Affairs, miscellaneous payments to Indians (14-2303-0-1-452);".

(D) by inserting before the item relating to the Postal service fund the following new item:

"Payments to widows and heirs of deceased Members of Congress (00-0215-0-1-801);".

(E) by inserting before the item relating to the Alaska Power Administration the following new item:

"Thrift Savings Fund (26-8141-0-7-602);".

(F) by inserting after the item relating to the Tennessee Valley Authority the following new item:

"Washington Metropolitan Area Transit Authority, interest payments (46-0300-0-1-401);".

(3) Section 256(b)(4) of the Act is amended by inserting at the end thereof the following new subparagraph:

"(G) Federal Retirement Thrift Investment Board.".

(4) Section 256(e) of the Act is amended by striking out "Any order" and by inserting in lieu thereof "Notwithstanding any change in the display of budget accounts, any order".

(b) AMENDMENTS TO SPECIFICALLY INCLUDE IN THIS ACT EXEMPTIONS ENACTED SINCE 1985.—(1) Section 255(b) of the Act is amended by inserting after the colon the following:

"National Service Life Insurance Fund (36-8132-0-7-701);

"Service-Disabled Veterans Insurance Fund (36-4012-0-3-701);

"Veterans Special Life Insurance Fund (36-8455-0-8-701);

"Veterans Reopened Insurance Fund (36-4010-0-3-701);

"United States Government Life Insurance Fund (36-8150-0-7-701);

"Veterans Insurance and Indemnity (36-0120-0-1-701);

"Special Therapeutic and Rehabilitation Activities Fund (36-4048-0-3-703);

"Veterans' Canteen Service Revolving Fund (36-4014-0-3-705);

"Benefits under chapter 21 of title 38, United States Code, relating to specially adapted housing and mortgage-protection life insurance for certain veterans with service-connected disabilities (36-0137-0-1-702);

"Benefits under section 907 of title 38, United States Code, relating to burial benefits for veterans who die as a result of service-connected disability (36-0155-0-1-701);

"Benefits under chapter 39 of title 38, United States Code, relating to automobiles and adaptive equipment for certain disabled veterans and members of the Armed Forces (36-0137-0-1-702);".

(2) Section 255(g)(1) of the Act is amended—

(A) by inserting after the item relating to intragovernmental funds the following new item:

"Panama Canal Commission, operating expenses (95-5190-0-2-403), and Panama Canal Commission, capital outlay (95-5190-0-2-403);";

(B) by inserting after the item relating to payments to trust funds the following new item:

"Payments to the United States territories, fiscal assistance (14-0418-0-1-852);";

(C) by inserting after the item relating to compensation of the President the following new item:

"Customs Service, miscellaneous permanent appropriations (20-9922-0-2-852);";

(D) by inserting before the item relating to intragovernmental funds the following new item:

"Internal Revenue collections for Puerto Rico (20-5737-0-2-852);";

(E) by inserting after the first item the following new item:

"Administration of Territories, Northern Mariana Islands Covenant grants (14-0412-0-1-806);"; and

(F) by inserting after the item relating to payments to the military retirement fund the following new item:

"Compact of Free Association, economic assistance pursuant to Public Law 99-658 (14-0415-0-1-806);".

(3) Section 255(g)(1) of the Act is amended by inserting "(A)" after "(1)" and by inserting at the end thereof the following new subparagraph:

"(B) The following budget accounts and activities shall be exempt from reduction under any order issued under this part:

"Black lung benefits (20-8144-0-7-601);

"Central Intelligence Agency retirement and disability system fund (56-3400-0-1-054);

"Civil service retirement and disability fund (24-8135-0-7-602);

"Comptrollers general retirement system (05-0107-0-1-801);

"Foreign service retirement and disability fund (19-8186-0-7-602);

"Judicial survivors' annuities fund (10-8110-0-7-602);

"Longshoremen's and harborworkers' compensation benefits (16-9971-0-7-601);

"Military retirement fund (97-8097-0-7-602);

"National Oceanic and Atmospheric Administration retirement (13-1450-0-1-306);

"Pensions for former Presidents (47-0105-0-1-802);

"Railroad retirement tier II (60-8011-0-7-601);

"Retired pay, Coast Guard (69-0241-0-1-403);

"Retirement pay and medical benefits for commissioned officers, Public Health Service (75-0379-0-1-551);

"Special benefits, Federal Employees' Compensation Act (16-1521-0-1-600);

"Special benefits for disabled coal miners (75-0409-0-1-601); and

"Tax Court judges' survivors annuity fund (23-8115-0-7-602).".

(c) Conforming Amendments.—(1) Section 255(g)(2) of the Act is amended by repealing the items relating to veterans with the exception of the items relating to the Loan guaranty revolving fund and the Servicemen's group life insurance fund.

(2) Paragraph (1) of section 257 of the Act is amended by striking out subparagraph (A), by striking out the dash, and by striking out "(B)".

SEC. 105. MODIFICATION OF PRESIDENTIAL ORDER.

(a) In General.—Part C of the Act is amended by inserting at the end thereof the following new section:

"SEC. 258. MODIFICATION OF PRESIDENTIAL ORDER.

"(a) Introduction of Joint Resolution.—At any time after the Director of OMB issues a report under section 251(c)(2) for a fiscal year, but before the close of the tenth calendar day of session in that session of Congress beginning after the date of issuance of such report, the majority leader of either House of Congress may introduce a joint resolution which contains provisions directing the President to modify the most recent order issued under section 252 for such fiscal year. After the introduction of the first such joint resolution in either House of Congress in any calendar year, then no other joint resolution introduced in such House in such calendar year shall be subject to the procedures set forth in this section.

"(b) Procedures for Consideration of Joint Resolutions.—

"(1) No referral to committee.—A joint resolution introduced in the Senate or the House of Representatives under subsection (a) shall not be referred to a committee of the Senate or the House of Representatives, as the case may be, and shall be placed on the appropriate calendar pending disposition of such joint resolution in accordance with this subsection.

"(2) Immediate consideration.—On or after the third calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after a joint resolution is introduced under subsection (a), notwithstanding any rule or precedent of the Senate, including Rule 22 of the Standing Rules of the Senate, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the respective House to move to proceed to the consideration of the joint resolution, and all points of order against the joint resolution (and against consideration of the joint resolution) are waived, except for points of order under titles III or IV of the Congressional Budget Act of 1974. The motion is not in order after the eighth calendar day (excluding Saturdays, Sundays, and legal holidays) beginning after a joint resolution (to which the motion applies) is introduced. The motion is highly privileged in the House of Representatives and is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint resolution is agreed to, the respective House shall immediately proceed to consideration of the joint resolution without intervening motion, order, or

other business, and the joint resolution shall remain the unfinished business of the respective House until disposed of.

"(3) DEBATE.—

"(A) In the Senate, debate on a joint resolution introduced under subsection (a), amendments thereto, and all debatable motions and appeals in connection therewith shall be limited to not more than 10 hours, which shall be divided equally between the majority leader and the minority leader (or their designees). In the House, general debate on a joint resolution introduced under subsection (a) shall be limited to not more than 4 hours which shall be equally divided between the majority and minority leaders.

"(B) A motion to postpone, or a motion to proceed to the consideration of other business is not in order. A motion to reconsider the vote by which the joint resolution is agreed to or disagreed to is not in order. In the Senate, a motion to recommit the joint resolution is not in order. In the House, a motion further to limit debate is in order and not debatable. In the House, a motion to recommit is in order.

"(C)(i) In the House of Representatives, an amendment and any amendment thereto is debatable for not to exceed 30 minutes to be equally divided between the proponent of the amendment and a Member opposed thereto.

"(ii) No amendment that is not germane or relevant to the provisions of the joint resolution or to the order issued under section 252(b)(1) shall be in order in the Senate. In the Senate, an amendment, any amendment to an amendment, or any debatable motion or appeal is debatable for not to exceed 30 minutes to be equally divided between the majority leader and the minority leader (or their designees).

"(iii) In the Senate, an amendment that is otherwise in order shall be in order notwithstanding the fact that it amends the joint resolution in more than one place or amends language previously amended. It shall not be in order in the Senate to vote on the question of agreeing to such a joint resolution or any amendment thereto unless the figures then contained in such joint resolution or amendment are mathematically consistent.

"(4) VOTE ON FINAL PASSAGE.*—Immediately following the conclusion of the debate on a joint resolution introduced under subsection (a), a single quorum call at the conclusion of the debate if requested in accordance with the rules of the appropriate House, and the disposition of any amendments under paragraph (3) (except for the motion to recommit in the House of Representatives), the vote on final passage of the joint resolution shall occur.*

"(5) APPEALS.*—Appeals from the decisions of the Chair relating to the application of the rules of the Senate or the House of Representatives, as the case may be, to the procedure relating to a joint resolution described in subsection (a) shall be decided without debate.*

"(6) CONFERENCE REPORTS.*—In the Senate, points of order under titles III and IV of the Congressional Budget Act of 1974 (including points of order under sections 302(c), 303(a), 306, and*

401(b)(1)) are applicable to a conference report on the joint resolution or any amendments in disagreement thereto.

"(7) Resolution from other house.—If, before the passage by the Senate of a joint resolution of the Senate introduced under subsection (a), the Senate receives from the House of Representatives a joint resolution introduced under subsection (a), then the following procedures shall apply:

"(A) The joint resolution of the House of Representatives shall not be referred to a committee.

"(B) With respect to a joint resolution introduced under subsection (a) in the Senate—

"(i) the procedure in the Senate shall be the same as if no joint resolution had been received from the House; but

"(ii)(I) the vote on final passage shall be on the joint resolution of the House if it is identical to the joint resolution then pending for passage in the Senate; or

"(II) if the joint resolution from the House is not identical to the joint resolution then pending for passage in the Senate and the Senate then passes it, the Senate shall be considered to have passed the joint resolution as amended by the text of the Senate joint resolution.

"(C) Upon disposition of the joint resolution received from the House, it shall no longer be in order to consider the resolution originated in the Senate.

"(8) Senate action on house resolution.—If the Senate receives from the House of Representatives a joint resolution introduced under subsection (a) after the Senate has disposed of a Senate originated resolution which is identical to the House passed joint resolution, the action of the Senate with regard to the disposition of the Senate originated joint resolution shall be deemed to be the action of the Senate with regard to the House originated joint resolution. If it is not identical to the House passed joint resolution, then the Senate shall be considered to have passed the joint resolution of the House as amended by the text of the Senate joint resolution.".

(b) Clerical Amendment.—The table of contents set forth in section 200(b) of the Act is amended by inserting after the item relating to section 257 the following new item:

"Sec. 258. Modification of Presidential order.".

SEC. 106. MAXIMUM DEFICIT AMOUNTS.

(a) Revision of Definition of Maximum Deficit Amount.—Paragraph (7) of section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking out subparagraphs (D) through (F) and by inserting in lieu thereof the following:

"(D) with respect to the fiscal year beginning October 1, 1987, $144,000,000,000;

"(E) with respect to the fiscal year beginning October 1, 1988, $136,000,000,000;

"(F) with respect to the fiscal year beginning October 1, 1989, $100,000,000,000;

"(G) with respect to the fiscal year beginning October 1, 1990, $64,000,000,000;

"(H) with respect to the fiscal year beginning October 1, 1991, $28,000,000,000; and

"(I) with respect to the fiscal year beginning October 1, 1992, zero.".

(b) DEFINITION OF MARGIN.—Section 257 of the Act is amended by inserting after paragraph (9) the following new paragraph:

"(10) The term 'margin' means $10,000,000,000 with respect to each of fiscal years 1988 through 1992 and zero with respect to fiscal year 1993.".

(c) REVISION OF EXPIRATION DATE OF THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—Subsection (b)(1) of section 275 of the Act is amended by striking out "September 30, 1991" and by inserting in lieu thereof "September 30, 1993".

(d) SECTION 301(i) POINT OF ORDER.—Paragraph (2) of section 301(i) of the Congressional Budget Act of 1974 is amended by inserting "(A)" before "Paragraph" and by adding at the end thereof the following new paragraphs:

"(B) Paragraph (1) shall not apply to the consideration of any concurrent resolution on the budget for fiscal year 1988 or fiscal year 1989, or amendment thereto or conference report thereon, if such concurrent resolution or conference report provides, or in the case of an amendment if the concurrent resolution as changed by the adoption of such amendment would provide for deficit reduction from a budget baseline estimate as specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year (based on laws in effect on January 1 of the calendar year during which the fiscal year begins) equal to or greater than the maximum amount of unachieved deficit reduction for such fiscal year as specified in section 251(a)(3)(A) of such Act.

"(C) For purposes of the application of subparagraph (B), the amount of deficit reduction for a fiscal year provided for in a concurrent resolution, or amendment thereto or conference report thereon, shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be.".

(e) SECTION 311(a) POINT OF ORDER IN THE SENATE.—

(1) Section 311(a) of the Congressional Budget Act of 1974 is amended by striking out all after "in the Senate," and by inserting in lieu thereof the following: "would otherwise result in a deficit for such fiscal year that—

"(A) for fiscal year 1989 or any subsequent fiscal year, exceeds the maximum deficit amount specified for such fiscal year in section 3(7); and

"(B) for fiscal year 1988 or 1989, exceeds the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;

except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of paragraph (2) of such subsection.".

(2) Section 254(b)(1)(E) of the Act is amended by inserting "and for fiscal year 1988 or 1989, exceed the amount of the estimated deficit for such fiscal year based on laws and regulations in effect on January 1 of the calendar year in which such fiscal year begins as measured using the budget baseline specified in section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 minus $23,000,000,000 for fiscal year 1988 or $36,000,000,000 for fiscal year 1989;" after "maximum deficit amount for such fiscal year,".

(f) President's Budget.—Section 1105(f) of title 31, United States Code, is amended—

(1) by redesignating paragraph (3) as paragraph (5); and

(2) by inserting after paragraph (2) the following new paragraphs:

"(3) The budget transmitted pursuant to subsection (a) for a fiscal year shall include a budget baseline estimate made in accordance with section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 and using economic and technical assumptions consistent with the current services budget submitted under section 1109 for the fiscal year. If such budget baseline estimate differs from the estimate in the current services budget, the President shall explain the differences. The budget transmitted pursuant to subsection (a) for such fiscal year shall include the information required by section 251(a)(2) of such Act (other than account-level detail) assuming that the deficit in such budget baseline were the amount estimated by the Director of the Office of Management and Budget on August 25 of the calendar year in which the fiscal year begins.

"(4) Paragraphs (1) and (2) shall not apply with respect to fiscal year 1989 if the budget transmitted for such fiscal year provides for deficit reduction from a budget baseline deficit for such fiscal year (as defined by section 251(a)(6) of the Balanced Budget and Emergency Deficit Control Act of 1985 and based on laws in effect on January 1, 1988) equal to or greater than $36,000,000,000.".

SEC. 107. SPECIAL RULES FOR MEDICARE PROGRAM.

(a) Temporary Extension of Payment Policies for Inpatient Hospital Services.—

(1) In general.—Notwithstanding any other provision of law, with respect to payment for inpatient hospital services under section 1886 of the Social Security Act:

(A) Temporary freeze in pps hospital rates.—For purposes of subsection (d) of such section for discharges occurring during the period beginning on October 1, 1987, and ending on November 20, 1987 (in this paragraph referred to as the "extension period"), the applicable percentage increase under subsection (b)(3)(B) of such section with respect to fiscal year 1988 is deemed to be 0 percent.

(B) Temporary freeze in payment basis.—

(i) Extension of blended drg rate.—For purposes of subsection (d)(1) of such section, the "applicable com-

bined adjusted DRG prospective payment rate" for discharges occurring—

(I) during the extension period is the rate specified in subsection (d)(1)(D)(ii) of such section, or

(II) after such period is the national adjusted prospective payment rate determined under subsection (d)(3) of such section.

(ii) EXTENSION OF HOSPITAL-SPECIFIC PAYMENT.—For the first 51 days of a hospital cost reporting period beginning during fiscal year 1988, payment shall be made under clause (ii) (rather than clause (iii)) of subsection (d)(1)(A) of such section (subject to clause (i) of this subparagraph).

(C) TEMPORARY FREEZE IN AMOUNTS OF PAYMENT FOR CAPITAL.—For payments attributable to portions of cost reporting periods occurring during the extension period, the percent specified in subsection (g)(3)(A)(ii) of such section is deemed to be 3.5 percent.

(D) TEMPORARY FREEZE IN RETURN ON EQUITY REDUCTIONS.—For the first 51 days of a cost reporting period beginning during fiscal year 1988, subsection (g)(2) of such section shall be applied as though the applicable percentage were 75 percent.

(E) TEMPORARY FREEZE IN PAYMENTS RATES FOR PPS-EXEMPT HOSPITALS.—For purposes of payment under subsection (b) of such section for cost reporting periods beginning during fiscal year 1988, with respect to the first 51 days of such a period the applicable percentage increase under paragraph (3)(B) of such subsection is deemed to be 0 percent.

(2) CONTINUATION OF CAPITAL POLICY.—Section 9321(c) of the Omnibus Budget Reconciliation Act of 1986 is amended—

(A) by striking "SEPTEMBER 1" in the heading of paragraph (1) and inserting "NOVEMBER 21",

(B) in paragraph (1), by striking "September 1, 1987" and inserting "November 21, 1987",

(C) in the second sentence of paragraph (1), by striking "before the date of the enactment of this Act", and

(D) in paragraph (4), by striking "second sentence" and all that follows through "operating costs" and inserting "second sentence of section 1886(a)(4) of the Social Security Act, from the term "operating costs".

(b) FREEZING CERTAIN CHANGES IN MEDICARE PAYMENT REGULATIONS AND POLICIES.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary of Health and Human Services is not authorized to issue after September 18, 1987, and before November 21, 1987—

(A) any final regulation that changes the policy with respect to payment under title XVIII of the Social Security Act to providers of service for reasonable costs relating to unrecovered costs associated with unpaid deductible and coinsurance amounts incurred under such title;

(B) any final regulation, instruction, or other policy change which is primarily intended to have the effect of slowing down claims processing, or delaying payment of claims, under such title; or

(C) any final regulation that changes the policy under such title with respect to payment for a return on equity capital for outpatient hospital services.

The final regulation of the Health Care Financing Administration published on September 1, 1987 (52 Federal Register 32920) and relating to changes to the return on equity capital provisions for outpatient hospital services is void and of no effect.

(2) OTHER COST SAVINGS POLICIES.—Notwithstanding any other provision of law, except as required to implement specific provisions required under statute, the Secretary of Health and Human Services is not authorized to issue in final form, after September 18, 1987, and before November 21, 1987, any regulation, instruction, or other policy which is estimated by the Secretary to result in a net reduction in expenditures under title XVIII of the Social Security Act in fiscal year 1988 of more than $50,000,000. Any regulation, instruction, or policy which is issued in violation of this paragraph is void and of no effect.

(3) EXCEPTION.—Paragraphs (1) and (2) shall not be construed to apply to any regulation, instruction, or policy required to implement the amendment made by section 9311(a) of the Omnibus Budget Reconciliation Act of 1986 (relating to periodic interim payments).

(c) DELAY IN ORGAN PROCUREMENT REQUIREMENTS.—Section 9318(b) of the Omnibus Budget Reconciliation Act of 1986 is amended by striking "October 1, 1987" each place it appears and inserting "November 21, 1987".

TITLE II—BUDGET PROCESS REFORM

SEC. 201. 2-YEAR APPROPRIATIONS.

It is the sense of the Congress that the Congress should undertake an experiment with multiyear authorizations and 2-year appropriations for selected agencies and accounts. An evaluation of the efficacy and desirability of such experiment should be conducted at the end of the 2-year period. The appropriate committees are directed to develop a plan in consultation with the leadership of the House and Senate to implement this experiment.

SEC. 202. PROHIBITION OF COUNTING AS SAVINGS THE TRANSFER OF GOVERNMENT ACTIONS FROM ONE YEAR TO ANOTHER.

(a) IN GENERAL.—Except as otherwise provided in this section, any law or regulation that has the effect of transferring an outlay, receipt, or revenue of the United States from one fiscal year to an adjacent fiscal year shall not be treated as altering the deficit or producing net deficit reduction in any fiscal year for purposes of the Congressional Budget Act of 1974 and the Balanced Budget and Emergency Deficit Control Act of 1985.

(b) EXCEPTIONS.—Subsection (a) shall not apply if the law making the transfer stipulates that such transfer—

(1) is a necessary (but secondary) result of a significant policy change;

(2) provides for contingencies; or

(3) achieves savings made possible by changes in program requirements or by greater efficiency of operations.

SEC. 203. FINANCIAL MANAGEMENT REFORM.

It is the sense of the Congress that the Congress should undertake a coordinated effort to identify problems and develop specific recommendations to reform the financial management systems of the United States Government, including consideration of the use of generally accepted accounting principles.

SEC. 204. EXTENSION OF STATE AND LOCAL COST ESTIMATES.

The State and Local Government Cost Estimate Act of 1981 is amended by striking out section 4.

SEC. 205. EXTRANEOUS PROVISIONS IN THE SENATE.

(a) PROHIBITION OF EXTRANEOUS MATTERS IN RECONCILIATION MEASURES IN THE SENATE.—Section 20001 of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 7006 of the Omnibus Budget Reconciliation Act of 1986, is amended in subsection (c) by striking out "January 2, 1988" and inserting in lieu thereof "September 30, 1992".

(b) PROVISIONS CONSIDERED TO BE EXTRANEOUS IN THE SENATE.—Subsection (d)(1)(A) of such section is amended by inserting before the period at the end thereof "; and (E) a provision shall be considered to be extraneous if it increases, or would increase, net outlays, or if it decreases, or would decrease, revenues during a fiscal year after the fiscal years covered by such reconciliation bill or reconciliation resolution, and such increases or decreases are greater than outlay reductions or revenue increases resulting from other provisions in such title in such year".

(c) APPLICATION OF SUBSECTION (a) TO CERTAIN SENATE RESOLUTIONS.—Nothing in the amendment made by subsection (a) shall be construed as limiting the manner in which S. Res. 286 (99th Congress, 1st session), as amended by S. Res. 509 (99th Congress, 2d session), shall apply to reconciliation bills and reconciliation resolutions considered on or after the date of the enactment of this joint resolution.

SEC. 206. CODIFICATION OF LAW REGARDING DEFERRAL AUTHORITY.

(a) PROPOSED DEFERRALS OF BUDGET AUTHORITY.—Section 1013 of the Impoundment Control Act of 1974 is amended to read as follows:

"PROPOSED DEFERRALS OF BUDGET AUTHORITY

"SEC. 1013. (a) TRANSMITTAL OF SPECIAL MESSAGE.—Whenever the President, the Director of the Office of Management and Budget, the head of any department or agency of the United States, or any officer or employee of the United States proposes to defer any budget authority provided for a specific purpose or project, the President shall transmit to the House of Representatives and the Senate a special message specifying—

"(1) the amount of the budget authority proposed to be deferred;

"(2) any account, department, or establishment of the Government to which such budget authority is available for obligation, and the specific projects or governmental functions involved;

"(3) the period of time during which the budget authority is proposed to be deferred;

"(4) the reasons for the proposed deferral, including any legal authority invoked to justify the proposed deferral;

"(5) to the maximum extent practicable, the estimated fiscal, economic, and budgetary effect of the proposed deferral; and

"(6) all facts, circumstances, and considerations relating to or bearing upon the proposed deferral and the decision to effect the proposed deferral, including an analysis of such facts, circumstances, and considerations in terms of their application to any legal authority, including specific elements of legal authority, invoked to justify such proposed deferral, and to the maximum extent practicable, the estimated effect of the proposed deferral upon the objects, purposes, and programs for which the budget authority is provided.

A special message may include one or more proposed deferrals of budget authority. A deferral may not be proposed for any period of time extending beyond the end of the fiscal year in which the special message proposing the deferral is transmitted to the House and the Senate.

"(b) CONSISTENCY WITH LEGISLATIVE POLICY.—Deferrals shall be permissible only—

"(1) to provide for contingencies;

"(2) to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or

"(3) as specifically provided by law.

No officer or employee of the United States may defer any budget authority for any other purpose.

"(c) EXCEPTION.—The provisions of this section do not apply to any budget authority proposed to be rescinded or that is to be reserved as set forth in a special message required to be transmitted under section 1012.".

(b) CONFORMING AMENDMENT.—The first sentence of section 1016 of the Impoundment Control Act of 1974 is amended by striking out "under section 1012(b) or 1013(b)" and by inserting in lieu thereof "under this title".

(c) REAFFIRMATION.—Sections 1015 and 1016 of the Impoundment Control Act of 1974 are reaffirmed.

SEC. 207. CLARIFICATION OF CONGRESSIONAL INTENT REGARDING RESCISSION AUTHORITY.

Section 1012(b) of the Impoundment Control Act of 1974 is amended by adding at the end thereof the following: "Funds made available for obligation under this procedure may not be proposed for rescission again.".

SEC. 208. ECONOMIC AND TECHNICAL ASSUMPTIONS.

(a) POINT OF ORDER.—Section 301(g) of the Congressional Budget Act of 1974 is amended to read as follows:

"(g) ECONOMIC ASSUMPTIONS.—

"(1) It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year, or any amend-

ment thereto, or any conference report thereon, that sets forth amounts and levels that are determined on the basis of more than one set of economic and technical assumptions.

"(2) The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall set forth the common economic assumptions upon which such joint statement and conference report are based, or upon which any amendment contained in the joint explanatory statement to be proposed by the conferees in the case of technical disagreement, is based.

"(3) Subject to periodic reestimation based on changed economic conditions or technical estimates, determinations under titles III and IV of the Congressional Budget Act of 1974 shall be based upon such common economic and technical assumptions.".

(b) APPLICATION OF SECTION 301(g) POINT OF ORDER TO REVISIONS OF CONCURRENT RESOLUTIONS ON THE BUDGET.—Section 304 of the Congressional Budget Act of 1974 is amended by inserting at the end thereof the following:

"(c) ECONOMIC ASSUMPTIONS.—The provisions of section 301(g) shall apply with respect to concurrent resolutions on the budget under this section (and amendments thereto and conference reports thereon) in the same way they apply to concurrent resolutions on the budget under such section 301(g) (and amendments thereto and conference reports thereon).".

SEC. 209. CLARIFICATION OF CONGRESSIONAL INTENT REGARDING TIME LIMITS FOR CONFERENCE REPORTS ON CONCURRENT RESOLUTIONS ON THE BUDGET.

Section 305(c)(2) of the Congressional Budget Act of 1974 is amended by inserting "and all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith" after "budget,".

SEC. 210. APPEALS OF CERTAIN RULINGS IN THE SENATE.

(a) IN GENERAL.—Section 271 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

"(c) APPEALS OF RULINGS.—An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under section 301(i), 302(c), 302(f), 304(b), 306, 310(d), 310(g), or 311(a) of the Congressional Budget Act of 1974.".

(b) CONFORMING AMENDMENT.—Section 275(b)(2)(D) of such Act is amended by striking out "section 271(b)" and inserting in lieu thereof "subsections (b) and (c) of section 271."

SEC. 211. WAIVER OF SECTION 302(c) RELATING TO COMMITTEE ALLOCATIONS.

Section 271(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting "302(c)," after "301(i),".

SEC. 212. CREDIT REFORM.

The Congressional Budget Office, in consultation with the General Accounting Office, shall study and report to Congress on Federal *direct loan and loan guarantee programs for fiscal year 1987 and fiscal year 1988. The report shall be submitted as soon as practicable to all congressional committees of appropriate jurisdiction. The report shall provide information and recommendations on: (1) more accurately measuring the costs to the Federal Government of such credit programs, (2) comparing the cost of credit programs to other forms of Federal assistance, and (3) improving the allocation of resources between credit and other programs. The report shall also discuss the considerations involved in establishing a system for using the information on the costs of credit programs as part of the budget process.*

SEC. 213. EXERCISE OF RULEMAKING POWER.

This Act and the amendments made by this Act, other than those relating to the activities of the executive and judicial branches of the Government, are enacted by Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner and to the same extent as in the case of any other rule of such House.

And the Senate agree to the same.

From the Committee on Appropriations:
JOHN P. MURTHA,
BOB TRAXLER,
MICKEY EDWARDS,
JERRY LEWIS,
From the Committee on the Budget:
WILLIAM H. GRAY,
HOWARD WOLPE,
MARVIN LEATH,
WILLIS D. GRADISON, Jr.,
CONNIE MACK,
From the Committee on Government Operations:
JACK BROOKS,
FRANK HORTON,
From the Committee on Rules:
CLAUDE PEPPER,
BUTLER DERRICK,
TRENT LOTT,

From the Committee on Ways and Means:

DAN ROSTENKOWSKI,
SAM M. GIBBONS,
J.J. PICKLE,
CHARLES B. RANGEL,
PETE STARK,
ANDREW JACOBS, Jr.,
ED JENKINS,
MARTY RUSSO,
ROBERT T. MATSUI,
JOHN DUNCAN,
BILL ARCHER,
RICHARD SCHULZE,
WILLIAM THOMAS,

Additional conferees:

THOMAS S. FOLEY,
WILLIAM D. FORD,
LES ASPIN,
MARY ROSE OAKAR,
LEON PANETTA,
VIC FAZIO,
BUDDY MACKAY,
BILL FRENZEL,
RALPH REGULA,
JUDD GREGG,
LYNN MARTIN,
NANCY L. JOHNSON,
Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL MOYNIHAN,
SPARK M. MATSUNAGA,
LAWTON CHILES,
FRITZ HOLLINGS,
CARL LEVIN,
BOB PACKWOOD,
PHIL GRAMM,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate numbered 1, 2, 3, and 4 to the joint resolution (H.J. Res. 324) increasing the statutory limit on the public debt, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

I. INCREASE IN PUBLIC DEBT LIMIT

Current Law

The permanent limit on the public debt is $2,111 billion. This limitation was enacted on August 21, 1986 (Public Law 99-384). A temporary limit of $2,352 billion is in effect through September 23, 1987, under Public Law 100-84, enacted on August 10, 1987.

House Joint Resolution

H.J. Res. 324, as passed by the House, provides for an increase of the permanent public debt limit to $2,565.1 billion. This debt limit level is the amount approved by the Congress in the conference report on the budget resolution for fiscal year 1988 (H. Con. Res. 93) and is estimated to be the appropriate level through September 30, 1988.

Senate Amendment

Senate amendment numbered 1 strikes out the House language and substitutes a temporary increase in the public debt limit to $2,800 billion for the period ending on May 1, 1989. The limit reverts to $2,111 billion on May 2, 1989.

Conference Agreement

The conference agreement increases the permanent public debt limit to $2,800 billion.

II. SOCIAL SECURITY TRUST FUNDS

Current Law

The Old-Age, Survivors, and Disability Insurance (OASDI) program is financed primarily from Social Security taxes on employers, employees, and self-employed persons. Under the normalized tax transfer provisions of current law, the Treasury Department is required at the start of each month to credit the trust funds with an amount equal to the taxes expected to be received during the month. The Treasury Department is also required to invest the assets of the trust funds. Funds must be invested in securities issued (or fully guaranteed) by the Federal Government. The securities issued at the beginning of the month are redeemed as necessary to finance benefit payments. Funds not needed to finance current withdrawals are held by the trust funds in the form of invested assets.

Governmental securities issued to the trust funds are subject to the statutory limit on the public debt. When that debt limit is reached, the Treasury Department may be unable, without violating the limit, to meet the requirement that an amount equal to expected payroll tax receipts be fully invested at the beginning of the month.

In a situation where the debt limit prevents the Treasury Department from utilizing the normal investment and disinvestment procedures, present law does not provide specific guidance as to the alternative procedures to be followed. On several occasions in 1984 and 1985 the Treasury responded to such situations by disinvesting securities held by the trust funds that it would not have been necessary to redeem in the absence of the debt-limit constraint. This procedure allowed the Treasury to create sufficient borrowing authority to finance current withdrawals without exceeding the debt limit.

In such circumstances, the trust funds may be placed in a position where they will earn less interest than would be the case under normal investment procedures. In addition, the redemption of trust fund holdings to generate cash to meet benefit obligations can result in significant changes in the portfolio of investments held by the trust funds—changes that would not occur in the absence of a debt-limit constraint. Present law contains no mechanism to restore the lost interest or to reconstitute the portfolio of the trust funds. Specific legislation was enacted in 1985 to correct for the impact of debt-limit constraints in 1984 and 1985.

Present Law imposes on the Board of Trustees the duties of:

Holding of the trust funds;

Meeting and reporting to the Congress at least once a year;

Reporting immediately if they find the balance in a trust fund to be "unduly small";

Recommending improvements to better coordinate Social Security and unemployment compensation; and

Reviewing and recommending changes in trust fund management policies.

House Joint Resolution

H.J. Res. 324, as passed by the House, does not contain any provisions dealing with the Social Security trust funds.

Senate Amendment

Senate amendment numbered 2 establishes rules for investment and disinvestment of the Old-Age, Survivors, and Disability Insurance (OASDI) Trust Funds during periods when the normal borrowing operations of the Treasury Department are constrained because of the debt limit:

The Treasury Secretary is directed to redeem securities held by the trust funds that, absent the debt ceiling, would not need to be redeemed to meet the program's obligations on a timely basis;

The amount of such redemptions cannot be greater than the amount which would be redeemed under normal operating conditions; and

If the trust funds have not been issued securities promptly because of debt-limit constraints, those securities must be issued as room develops for investment within the debt limit (but only to the extent that the Treasury Department has actually received the Social Security taxes giving rise to those uninvested amounts).

The Senate amendment also provides that, after the normal trust fund investment and disinvestment procedures have been affected by a period of debt-limit constraint, the trust funds will be restored fully as soon as the debt limit is increased:

There is appropriated to the trust funds the amount of any interest that would have been earned, but was not, because of the impact of the debt limit;

The portfolio of the trust funds is to be reconstituted by the issuance or reissuance of securities as necessary to leave the funds with the same holdings they would have had but for the impact of the debt limit; and

A special Trustees' Report to the Congress is to be made detailing trust fund operations during any period of debt-limit constraint and describing the actions taken to restore the funds after the end of that period.

Finally, the Senate amendment revises and clarifies the statutory requirements on the Board of Trustees:

The Treasury Secretary is required to report monthly to the Board of Trustees of the Social Security trust funds on the status of the funds, and is required to notify both the Board and the Congress 15 days prior to the date on which he expects, because of the debt limit, to be unable fully to comply with the transfer or investment requirements of the Act;

Funds appropriated or deposited in the Social Security trust funds are to be available immediately and exclusively for trust fund purposes;

The Board of Trustees will be required to meet twice, rather than once, each year; and

The duty of the trustees faithfully to execute the responsibilities imposed on them by the Act is explicitly stated.

Effective July 1, 1990, the Senate amendment repeals a provision enacted in 1983 under which the OASDI trust funds are credited on the first day of each month with the Social Security taxes expected to be collected during the month. Instead, the funds will be credited on a daily basis as the taxes are received. Otherwise, the changes made by the Senate amendment are effective upon enactment.

Conference Agreement

The Senate recedes from its amendment.

III. DEFICIT REDUCTION PROCEDURES AND BUDGET PROCESS REFORM

OVERVIEW

The Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), commonly referred to as the 1985 Balanced Budget Act or the Gramm-Rudman-Hollings Act, established deficit targets (leading to a balanced budget by fiscal year 1991) and a special deficit-reduction process known as sequestration. Additionally, the Act made extensive changes in congressional procedures under the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344).

H.J. Res. 324, as passed by the House, does not contain any provisions dealing with deficit reduction procedures or budget process reform.

Senate amendment numbered 3 adds two new titles to the joint resolution that modify the deficit targets and sequestration process under the 1985 Balanced Budget Act; adopt other budget process reforms, particularly in the congressional budget process; and established new procedures for dealing with Federal credit activities.

The conference agreement also adds two new titles to the joint resolution that amend the 1985 Balanced Budget Act, adopts other budget process reforms, and requires the Congressional Budget Office to issue recommendations on credit reform.

The following discussion explains current law, the Senate amendment, and the conference agreement in more detail, according to specific topics.

A. DEFICIT REDUCTION PROCEDURES UNDER THE 1985 BALANCED BUDGET ACT

H.J. Res. 324, as passed by the House, does not contain any provisions dealing with the 1985 Balanced Budget Act. Senate amendment numbered 3 in part adds a new Title II (Budget and Fiscal Procedures) to the joint resolution; Part A of Title II contains the "Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987." The conference agreement adds a new Title I (Deficit Reduction Procedures).

1. Deficit Targets and Amount of Sequestration

Current Law

The 1985 Balanced Budget Act established (in Section 3(7) of the 1974 Budget Act) a deficit target, referred to as a "maximum deficit amount," for each of six consecutive fiscal years, beginning with $171.9 billion for FY 1986, $144 billion for FY 1987, and declining by $36 billion a year thereafter until a balanced budget is achieved in FY 1991. The deficit targets are as follows:

FY 1986—$171.9 billion;
FY 1987—$144 billion;
FY 1988—$108 billion;
FY 1989—$72 billion;
FY 1990—$36 billion; and
FY 1991—zero.

The Act contains emergency procedures, known generally as sequestration, to eliminate the deficit excess—that amount of the estimated deficit that exceeds the deficit target. Sequestration involves the issuance of a presidential order that permanently cancels (with certain exceptions) budgetary resources in order to achieve a required amount of outlay savings. If sequestration is required for a fiscal year, the entire amount of the deficit excess for that year must be eliminated. (To eliminate a deficit excess of $20 billion, for example, budgetary resources would have to be reduced by a much greater amount in order to yield the $20 billion in aggregate required outlay reductions).

Sequestration would not occur during FY 1987-1990 if the deficit excess is $10 billion or less. (The $10 billion margin-of-error amount does not apply for FY 1991; in that year, any deficit excess would have to be eliminated.)

Provisions in the 1985 Balanced Budget Act pertaining to the deficit targets and sequestration procedures expire on September 30, 1991.

Section 301(i) of the 1974 Budget Act, as amended by the 1985 Balanced Budget Act, establishes a point of order in both Houses that bars the consideration of a budget resolution recommending a deficit level greater than the applicable maximum deficit amount. The point of order would not apply if a declaration of war by Congress is in effect.

The President's budget also must not exceed the applicable maximum deficit amount.

Senate Amendment

The Senate amendment revises the deficit targets beginning with FY 1988 and extends them for one year, as follows:

FY 1988—$150 billion;
FY 1989—$130 billion;
FY 1990—$90 billion;
FY 1991—$45 billion; and
FY 1992—zero.

Under the Senate amendment, if sequestration is required, the entire amount of the deficit excess must be eliminated (except possibly for FY 1989). Also, the $10 billion margin-of-error amount applies for FY 1988-1991, but not for FY 1992.

In the case of FY 1989 only, the amount of required outlay reductions is the lesser of (1) the amount of the deficit excess or (2) the amount necessary to achieve a $36 billion reduction from a current services baseline deficit. With regard to the second condition, sequestration would not occur if a report issued by the Director of the Office of Management and Budget (OMB) indicates that $36 billion in deficit reduction has been achieved. This final OMB report is issued after preliminary reports are made by the OMB Director, the Director of the Congressional Budget Office (CBO), and the Comptroller General.

To determine whether the second condition has been met, each agency estimates the amount of deficit reduction achieved below its own current services baseline deficit estimate made earlier in the year. (Current services is defined as zero percent real growth for all programs subject to appropriation.) OMB must use a baseline estimate (and corresponding economic and technical assumptions) that it is required to submit as part of the President's annual budget in January. CBO must use a baseline deficit estimate and assumptions that it is required to include in its annual February report. After reviewing the OMB and CBO estimates, the Comptroller General must issue on March 1 his own estimate of the FY 1989 baseline deficit and corresponding assumptions.

The Senate amendment changes the expiration date for provisions dealing with the deficit targets and sequestration procedures to September 30, 1992.

The Senate amendment modifies Section 301(i) of the 1974 Budget Act to make the point of order apply to a FY 1989 budget resolution only if it causes the deficit target to be exceeded and recommends reducing the deficit for that year by less than $36 billion. Also, the Senate amendment establishes a new Section 301(j) which states that the determination of revenue, outlay, and deficit levels under the section shall be based on estimates provided by the House and Senate Budget Committees.

Conference Agreement

The conference agreement revises the deficit targets beginning with FY 1988 and extends them for two years, as follows:

FY 1988—$144 billion;
FY 1989—$136 billion;
FY 1990—$100 billion;
FY 1991—$64 billion;
FY 1992—$28 billion; and
FY 1993—zero.

Under the conference agreement, if sequestration is required, the entire amount of the deficit excess must be eliminated (except for FY 1988 and possibly for FY 1989). Also, the $10 billion margin-of-error amount, defined as the "margin," is set at $10 billion for FY 1988-1992 and zero for FY 1993.

For FY 1988 only, the conference agreement provides that the aggregate required outlay reductions to be accomplished through sequestration shall be the amount of unachieved deficit reduction for the fiscal year. Unachieved deficit reduction for FY 1988 is set at $23 billion, minus the net deficit reduction achieved (because of laws enacted or regulations promulgated as final) between January 1, 1987 and the appropriate "snapshot date" (in the case of the initial sequestration report, October 10, 1987, and in the case of the final sequestration report, the latest date possible before its submission on November 15, 1987 by the CBO Director and on November 20, 1987 by the OMB Director).

For FY 1989 only, the conference agreement provides that the aggregate required outlay reductions to be accomplished through sequestration shall be the lesser of the deficit excess or the amount of unachieved deficit reduction for the fiscal year (or zero if the deficit excess is equal to or less than the margin for that year—$10 billion). Unachieved deficit reduction for FY 1989 is set at $36 billion, minus the net deficit reduction achieved (because of laws enacted or regulations promulgated as final) between January 1, 1988 and the appropriate "snapshot date" (in the case of the initial sequestration report, August 15, 1988, and in the case of the final sequestration report, the latest date possible before its submission on October 10, 1988 by the CBO Director and on October 15 by the OMB Director).

The conferees recognize that the "snapshot date" may be different for the final OMB and CBO reports and therefore some legislation and regulations reflected in one report may not be reflected in the other. The OMB and CBO Directors shall ensure that the revised sequestration reports reflect legislation enacted or regulations promulgated as final as of three days prior to the issuance of such reports. In addition, the Directors shall ensure to the maximum extent practicable that the revised reports reflect legislation enacted or regulations promulgated as final during the three days immediately prior to the issuance of such reports.

The conference agreement caps the maximum amount of aggregate required outlay reductions at $23 billion for FY 1988 and $36 billion for FY 1989, but such amounts are not capped for the remaining fiscal years. The OMB and CBO Directors would determine the amount of net deficit reduction achieved for a fiscal year using the methodology and guidelines for making baseline estimates prescribed in Section 251(a)(6) of the 1985 Balanced Budget Act, as amended by this Act.

For the remaining fiscal years, FY 1990-1993, the aggregate required outlay reductions to be accomplished through sequestration would be equal to the amount of the deficit excess (or zero if the deficit excess is equal to or less than the margin for that year—$10 billion for FY 1990-1992 and zero for FY 1993).

The conference agreement changes the expiration date pertaining to the deficit targets and sequestration procedures to September 30, 1993.

The conference agreement amends Section 301(i) of the 1974 Budget Act so that a point of order would not apply to a FY 1988 or FY 1989 budget resolution if it provides for deficit reduction of $23 billion for FY 1988 or $36 billion for FY 1989, as measured against the budget baseline as defined in the 1985 Balanced Budget Act, as amended in this Act. Further, Section 311(a) of the 1974 Budget Act is amended to provide that in the Senate legislation will not be subject to a point of order for causing a violation of the maximum deficit amount if the legislation would not cause the amount of deficit reduction to be less than $23 billion for FY 1988 or $36 billion for FY 1989. Sections 302 and 311 will continue to prohibit consideration of legislation which would cause a breach of the appropriate levels of budget authority, outlays, or revenues provided in the applicable budget resolution. Determinations of the amount of deficit reduction, for purposes of these sections, would be based on estimates provided by the House and Senate Budget Committees.

Finally, the conference agreement amends 31 U.S.C. 1105(f) to provide that the President may submit a budget for FY 1989 recommending a deficit for that year in excess of the maximum deficit amount so long as the budget recommends $36 billion in reductions from a baseline estimate under the 1985 Balanced Budget Act, as amended by this Act.

2. Sequestration "Trigger" Mechanism and Issuance of Presidential Order

Current Law

The 1985 Balanced Budget Act originally provided for an automatic sequestration procedure. As originally framed in the Act, an initial or final presidential sequestration order would be triggered by a report issued by the Comptroller General estimating a deficit in excess of the amount allowed. The Comptroller General would give due regard in his report to an earlier joint sequestration report of the OMB and CBO Directors. This triggering procedure was invalidated by rulings of a special three-judge panel of the U.S. District Court, on February 7, 1986, and of the Supreme Court, on July 7, 1986. It was determined that the Comptroller General is an employee of the Legislative Branch, and so could not compel an Executive Branch action.

In anticipation of possible invalidation by the courts of the Comptroller General's role in the triggering procedure, Congress included "fallback" procedures in the Act, enabling Congress to trigger an initial or final presidential sequestration order by the enactment of a joint resolution setting forth the contents of the OMB/CBO joint report.

The Act directs the President to issue a sequestration order, upon the enactment of a joint resolution under the fallback procedures, that is consistent with the joint resolution in all respects. The order must provide for reductions in accounts as specified in the joint resolution and must provide for uniform reductions within accounts for each program, project, and activity (for programs funded by annual appropriations) or each budget activity (for programs funded by other means).

Further, the Act requires the President to submit a detailed message to Congress regarding an initial order at the time the order is issued. Also, he must issue a final order even if the deficit excess has been eliminated (the order would so state), releasing any amounts withheld under the initial order. Presidential sequestration orders have been placed in the Federal Register, even though this is not required explicitly by the Act.

Senate Amendment

The Senate amendment reinstates an automatic sequestration trigger for the period covering FY 1988–1992. Under the revised mechanism, a presidential sequestration order would be triggered by a report from the OMB Director. The OMB Director's report would give due regard to a sequestration report issued earlier by the Comptroller General, which in turn would be based on a review of an earlier joint sequestration report of the OMB/CBO Directors.

Conference Agreement

The conference agreement reinstates automatic triggering for FY 1988–1993. During these years, a presidential sequestration order would be triggered automatically by a report from the OMB Director. The OMB Director's report would give due regard to a report issued earlier by the CBO Director. Unlike the Senate amendment, the conference agreement does not provide a role for the Comptroller General in the preparation and issuance of sequestration reports.

Because the FY 1988 sequestration process would begin after the start of the fiscal year, the conference agreement includes a special rule to assure that the correct amount of reduction takes place in the Medicare program.

Additionally, the conference agreement establishes a procedure to ensure that the amount of deficit reduction required to be accomplished in an appropriations account through a sequestration order is achieved in the situation where a short-term continuing resolution is in effect when the sequestration order is issued and, subsequently, a full-year continuing resolution or a regular appropriations bill is enacted into law. Section 252(f)(2)(B) of the 1985 Balanced Budget Act, as amended by this Act, requires that the sequestration be automatically carried out when such a situation occurs. While supplementals are not affected by this provision, appropriations measures continue to be constrained by the various points of order in the 1974 Budget Act, particularly involving the spending ceilings created by the Section 302 allocation process.

If a short-term continuing resolution is in effect when a sequester order is issued, then for each account, the sequester amount, as determined by the sequester order, is pro-rated for the period covered by the continuing resolution. These funds are withheld, but not permanently cancelled. Subsequent short-term continuing resolutions during the year, if enacted, are subject to the same prorated sequestration procedure. The total amount withheld under short-term continuing resolutions shall apply toward the total amount sequestered once a full-year appropriations measure is enacted. If the full-year appropriations measure appropriates at a level lower than the budget baseline for an individual account, then the amount sequestered for that account is reduced by the amount by which that appropriation is below the budget baseline. The final amount of funds available for an individual account, following enactment of a full-year appropriation (including a full-year continuing resolution) and implementation of the sequester, shall not be, as a result of the sequester, less than the budget baseline amount minus the sequester amount for that account as specified in the final order.

In the event the automatic triggering procedures for FY 1988–1993 are invalidated by court ruling, the conference agreement provides that a presidential sequestration order may be triggered under fallback procedures involving the enactment of a joint resolution based on the sequestration report issued by the CBO Director.

With regard to the issuance of an order, the conference agreement makes clear that the President must issue an initial sequestration order even if the triggering procedures indicate that no reductions are required (the order would so state). Such a requirement already applies in the case of a final order.

The President must also issue a detailed message, as a single document, to accompany a final order. Such a requirement already applies in the case of an initial order. The message accompanying an initial or final order must be submitted to Congress within 15 days after the order is issued.

Finally, the conference agreement provides that presidential sequestration orders, as well as sequestration reports issued by OMB and CBO, shall be submitted to the Federal Register on the day they are issued and printed on the following day.

3. Timetable

Current Law

The 1985 Balanced Budget Act provides for the issuance of an initial OMB/CBO joint sequestration report on August 20 and the issuance by the President (upon the enactment of a joint resolution under the "fallback" procedures) of an initial sequestration order on September 1. The initial report is based on laws and regulations in effect on August 15. The initial order becomes effective (providing for the temporary withholding of budgetary resources) on October 1.

On October 5, the OMB and CBO Directors jointly issued a revised sequestration report; the President issues a final sequestration order on October 15 (upon enactment of a joint sequestration resolution). The final order becomes effective immediately (permanently cancelling budgetary resources).

On or before November 15, the Comptroller General submits to Congress and the President a compliance report, certifying whether the final sequester order complies fully and accurately with the requirements of the Act.

Senate Amendment

The Senate amendment retains the general late-August to mid-October timetable, but changes certain dates to reflect the modified procedures. The OMB Director would issue initial and final triggering reports on September 1 and October 15, respectively. The President would issue an initial and final sequester order on September 3 and October 20, respectively.

Conference Agreement

The conference agreement establishes the following timetable for FY 1988-1993, in which some of the dates of action for FY 1988 differ from those for the remaining years:

TIMETABLE FOR SEQUESTRATION PROCEDURES

Action	Fiscal year—	
	1988	1989-1993
Date from which deficit reduction is measured	January 1	January 1.
President submits to Congress the mid-session budget report (establishing the economic and technical assumptions to be used in sequestration).	Not applicable	July 15.
Presidential notification regarding Military Personnel accounts	October 10	August 15.
Initial OMB/CBO snapshot	October 10	August 15.
CBO issues its initial report to OMB and Congress	October 15	August 20.
OMB issues its initial report to the President and Congress	October 20	August 25.
President issues initial order	October 20	August 25.
President transmits to Congress a detailed message regarding the initial order.	Within 15 days after the order is issued.	Within 15 days after the order is issued.
Fiscal year begins and initial order becomes effective	October 1 (order becomes effective on date issued).	October 1.

TIMETABLE FOR SEQUESTRATION PROCEDURES—Continued

Action	Fiscal year—	
	1988	1989–1993
CBO issues its revised report to OMB and Congress	November 15	October 10.
OMB issues its revised report to the President and Congress	November 20	October 15.
President issues final order (which becomes effective immediately).	November 20	October 15.
Majority Leader in each House shall introduce a joint resolution which affirms any modifications in defense programs proposed in the President's notification report if the report is timely submitted (the joint resolution is considered under expedited procedures and is amendable).	Introduced within 5 session-days after report is submitted by President (but before November 25).	Introduced within 5 session-days after report is submitted by President (but before October 20).
Majority Leader in each House may introduce a joint resolution which modifies the final order (the joint resolution is considered under expedited procedures and is amendable).	Introduced within 10 session-days after revised OMB report is submitted.	Introduced within 10 session-days after revised OMB report is submitted.
President transmits to Congress a detailed message regarding the final order.	Within 15 days after the order is issued.	Within 15 days after the order is issued.
Comptroller General issues compliance report	December 15	November 15.

4. Baseline Spending, Revenue, and Deficit Estimates

Current Law

The 1985 Balanced Budget Act provides that the joint sequestration report of the OMB and CBO Directors for a fiscal year shall: (1) estimate budget baseline levels of spending, revenue, and the deficit for that year, including the amount by which the projected deficit exceeds the deficit target; (2) provide OMB and CBO economic assumptions, including the estimated rate of real economic growth; and (3) calculate the amounts and percentages by which various budgetary resources must be sequestered in order to reduce outlays and eliminate any deficit excess. The revenue and spending of the Social Security trust funds are included in the baseline estimates, even though they are off-budget under law.

Budgetary resources, in the case of defense programs, include new budget authority and unobligated balances of budget authority provided in previous years; obligated balances may be sequestered only if the President uses the special authority provided to cancel or modify defense contracts. In the case of nondefense programs, budgetary resources include new budget authority, new direct loan obligations, new loan guarantee commitments, obligation limitations, and spending authority defined in Section 401(c)(2) of the 1974 Budget Act (which includes all permanent appropriations and mandatory current appropriations, including entitlements).

The 1985 Balanced Budget Act prescribes the methodology for making baseline estimates of spending, revenues, and the deficit. The budget baseline totals are generally referred to as the "Gradison base" estimates, which differ from other measures of current services or baseline projections used by OMB and CBO (primarily in the treatment of annual appropriations). Three important determinants of baseline estimates are: (1) economic assumptions, (2) budgetary resource-outlay ratios (outlay rates), and (3) other assumptions.

Economic Assumptions.—Under existing law, the Directors of OMB and CBO make their own determinations regarding the economic assumptions that will be used in making the baseline estimates for sequestration. While any differences in the two sets of baseline estimates are averaged in the joint report, any differences in economic assumptions need not be reconciled.

Budgetary Resource-Outlay Ratios.—Under existing law, the Directors of OMB and CBO make their own determinations regarding the budgetary resource-outlay ratios (outlay rates) that will be used in making the baseline estimates for sequestration. While any differences in the two sets of baseline estimates are averaged in the joint report, any differences in budgetary resource-outlay ratios need not be reconciled.

Other Assumptions.—Current law specifies certain other assumptions to be used in making the baseline estimates for sequestration. Under current law, the deficit estimate and amount of required reductions are measured from a baseline which assumes that: (1) current law will continue in the case of revenues, permanent appropriations, and entitlement programs; (2) discretionary appropriations will be equal to prior-year amounts (except when appropriations for the fiscal year have been enacted); (3) expiring provisions of revenue and permanent spending law will expire as scheduled (with certain exceptions); and (4) Federal pay rates will be adjusted as recommended by the President or as enacted into law. In preparing sequestration reports for FY 1986 and FY 1987, OMB and CBO disagreed regarding the treatment of appropriated entitlements (CBO assumed full funding for the fiscal year while OMB assumed the prior-year amounts) and Federal pay raises (CBO assumed that additional funding would be provided while OMB assumed that the increased costs would be absorbed). The conferees agree that the CBO interpretations reflect the intent of Congress.

Senate Amendment

The Senate amendment modifies the procedures for making baseline estimates with regard to the use of economic assumptions, budgetary resource-outlay ratios, and other assumptions.

Economic Assumptions.—The Senate amendment provides for the specification by Congress of certain economic assumptions to be used by the OMB and CBO Directors and the Comptroller General in making baseline estimates for the sequestration reports.

For FY 1988, each report must use the list of 14 economic variables whose values will be specified in the statute by the conferees. For FY 1989 and beyond, the Directors of OMB and CBO and the Comptroller General must submit to the Temporary Joint Committee on Deficit Reduction, by July 25, their estimates of the baseline deficit, the 14 economic variables, and key technical variables to be used in sequestration reports. Congress may enact a joint resolution, reported by the Temporary Joint Committee, requiring the Directors and the Comptroller General to use one or more of these variables in the sequestration reports and specifying their values within the range established by the July 25th reports.

Budgetary Resource-Outlay Ratios.—The Senate amendment provides that sequestration reports issued by the OMB and CBO Directors and the Comptroller General must use budgetary resource-outlay ratios as contained in the sequestration report for FY 1986. By June 20 (September 9, 1987 for FY 1988), either or both Directors may submit a proposal to Congress to change one or more of these ratios. Such a proposal, if enacted in a "fast-track" joint resolution reported by the Temporary Joint Committee, would change the ratios (if and until they are changed later).

Other Assumptions.—The Senate amendment generally retains the existing requirements regarding the construction of baseline estimates, with the following modifications and additions in assumptions:

Appropriated entitlements will be fully funded for the fiscal year;

The absorption of increased Federal pay costs will be capped according to historical averages;

New Federal regulations will be counted in the baseline only if promulgated by August 15 in the case of initial sequestration reports (or, for FY 1988 only, within two weeks after enactment of this Act), and only if promulgated by October 1, in the case of revised reports;

Asset sales will be assumed to occur only if: (1) a final notice of sale has been published in the Federal Register before August 15 of that year (or, for FY 1988, within two weeks after enactment of this Act); (2) if the receipts from such sale were assumed by the CBO Director in the baseline estimate of the deficit contained in "An Analysis of the President's Budgetary Proposals for Fiscal Year 1988"; or (3) if the savings from such sale are the result of reconciliation savings assumed in the joint explanatory statement accompanying the conference report on the budget resolution for FY 1988 (H. Con. Res. 93); and

Advance farm deficiency payments will be made each year unless legislation is enacted that restrains or eliminates such payments.

Conference Agreement

The conference agreement requires that the OMB and CBO sequestration reports also include an estimate of the net deficit reduction made for the fiscal year. (This amount, which is subtracted from $23 billion in the case of FY 1988, and $36 billion in the case of FY 1989, is used to determine the amount of unachieved deficit reduction for those fiscal years.)

Further, the Directors must identify in their sequestration reports the aggregate required reductions for the fiscal year. (The aggregate required outlay reductions equal, for FY 1988, the amount of unachieved deficit reduction; for FY 1989, the lesser of the amount of unachieved deficit reduction or the deficit excess; and for FY 1990–1993, the amount of the deficit excess; except that no sequestration is required in FY 1989–1992 if the deficit excess is less than $10 billion.)

The conference agreement requires the OMB Director in his sequestration reports to identify and explain any differences between his estimates and those of the CBO Director regarding: (1) the aggregate amount of required outlay reductions; (2) the aggregate amount of resources to be sequestered from defense accounts (by type of sequestrable resource) and from nondefense accounts (by type of sequestrable resource); and (3) the amount of sequestrable resources for any budget account that is to be reduced if such difference is greater than $5 million.

Also, the OMB Director must calculate the reduction amounts on the basis of his estimate of the aggregate required outlay reductions, but using the technical assumptions and methodologies used in the CBO report, and explain any differences in the two sets of resulting figures. The conferees assume that the OMB Director will consult with the CBO Director in order to obtain the information required by this provision, and perhaps may request that the CBO Director provide the required calculations.

The sequestration reports of the OBM and CBO Directors must provide estimates of the baseline and reduction amounts for programs, projects, and activities within defense accounts. The conference agreement provides that these estimates be included in the final report but not the initial report, and assumes that they shall be required only to the extent that appropriations for the full fiscal year have been enacted into law.

The term "sequestrable resource" is defined to include the present categories of budgetary resources (clarifying that new loan guarantee limitations and direct loan commitments and limitations are budgetary resources), except for obligated balances (which no longer is a sequestrable budgetary resource).

Finally, the conference agreement modifies the procedures with regard to the use of economic assumptions, budgetary resource-outlay ratios (outlay rates), and other assumptions for purposes of calculating the baseline.

Economic Assumptions.—The conference agreement does not provide for congressional specification of economic assumptions through the enactment of a joint resolution. For FY 1988, the OMB Director must use the same economic assumptions that he used in the sequestration report issued on August 20, 1987. For FY 1989 and beyond, the OMB Director must use the same economic assumptions that were used in the President's mid-session budget report which is required by law to be submitted by July 15, although the Director is also allowed to display an alternative set of assumptions in his mid-session budget report as long as he explains the differences and the details their budgetary effects.

For all fiscal years, the OMB Director must use the same economic assumptions to estimate the deficit excess, net deficit reduction, and the reguired outlay reductions and to calculate the amounts and percentages by which budgetary resources must be reduced.

Budgetary Resource-Outlay Ratios.—The conference agreement does not provide a procedure for changing budgetary resource-outlay ratios through the enactment of a joint resolution. Instead, the conference agreement provides that the aggregate budgetary resource-outlay ratio, defined as the aggregate "outlay rate," for defense programs and the aggregate outlay rate for nondefense programs used in the OMB Director's report, shall not deviate by more than one-half of one percent from the aggregate outlay rates used in the sequestration report for the prior year, after adjusting for changes in the mix of budgetary resources.

Other Assumptions.—For FY 1988, the OMB Director must use the same technical assumptions that he used in the sequestration report issued on August 20, 1987.

For FY 1988, the OMB Director must assume the outlay level for the Medicare program that he assumed in the sequestration report issued on August 20, 1987 (except that he may not assume a slowdown in the payment of claims compared to the prior year). For FY 1989 and beyond, the OMB Director may not assume aggregate outlays for the Medicare program that deviate by more than one percent from the outlay levels estimated in the President's current services estimate for that year.

For FY 1989 and beyond, the President's July 15 mid-session budget report must provide an estimate of the deficit excess and net deficit reduction computed using the economic and technical assumptions that he will use in the initial sequestration report for that fiscal year. It is imperative that the Director of OMB actually deliver this mid-session report by July 15. When he issues the initial sequestration report, he is required to use those same economic and technical assumptions. For purposes of calculating the deficit under the Act (for revenue and outlay estimating purposes), the OMB Director may use his mid-session estimate of the Gross National Product (GNP) implicit price deflator. However, for purposes of inflating the base when full-year appropriations have not been enacted, he must use the same estimate of the GNP implicit price deflator as was used in the January budget submission. The mid-session review is expected to be issued by the statutory deadline for that report.

For any fiscal year, the OMB Director must use the same technical assumptions (subject to the provision described above regarding the GNP deflator) to estimate the deficit excess, net deficit reduction, and the required outlay reductions and to calculate the amounts and percentages by which budgetary resources must be reduced.

The conferees intend that references in the act to "technical assumptions" shall include assumptions regarding outlay rates.

The conference agreement modifies existing requirements regarding specific assumptions, and adds new assumptions, as follows:

> Appropriated entitlements will be fully funded for the fiscal year. These programs are listed by account number in the Act. (The Food Stamp program, although not an entitlement as defined in Section 401(c)(2)(C) of the Budget Act, is included in the list of programs to be assumed to be fully funded). The conferees recognize that this provision is only for the purposes of providing a more accurate estimate of the budget baseline and is not a complete list of all entitlement programs. Nothing in this provision is intended to affect the application of existing House and Senate rules and precedents related to this matter;
>
> Expiring contract authority for transportation trust funds will be extended at current levels. The conferees intend that transportation trust funds shall include, but not be limited to, the Airport and Airway Trust Fund and the Highway Trust Fund;

If full-year appropriations have been enacted without providing for the cost of Federal civilian and military pay adjustments, that additional appropriations will be made to cover the costs of those pay adjustments enacted into law or occurring pursuant to law, less 22 percnet to reflect average historical absorption;

Asset sales and loan prepayments will not alter the deficit for any fiscal year or produce any net deficit reduction for FY 1988 or FY 1989 ("asset sale" is defined in the Act to mean the sale to the public of any asset, whether physical or financial, owned in whole or in part by the United States and "prepayment of a loan" is defined to mean payments to the United States in advance of the schedule set by law or contract when the financial asset is first acquired, including prepayments of loans with or without penalty that occur as a result of a default). However, asset sales and loan prepayments that were routine and ongoing in nature in FY 1986 need not be backed out of the deficit estimate (though an acceleration of such activity may not be assumed or reflected). Sales mandated by law as of September 17, 1987 shall be reflected, but this proviso does not include sales that are authorized but not mandated;

Advanced farm deficiency and paid land diversion payments will be made each year;

Legislation will be enacted to increase benefit payments under the Veterans Compensation program;

Medicare spending levels for inpatient hospital services will be based upon the regulations most recently issued in final form or proposed by the Health Care Financing Administration. (This is an exception to the general rule that only final regulations are considered in preparing the initial order. Only final regulations can be used in estimating the budget baseline for the final order.);

Increased revenue collections attributable to increased funding of the Internal Revenue Service will be consistent with the increased collections projected on this basis in the President's January budget.

The conference agreement also provides that if annual appropriations acts have not been enacted for the fiscal year, then the appropriations levels of the prior year shall be assumed, adjusted to reflect (1) the full 12-month costs (without absorption) of that year's pay adjustment, (2) an inflation adjustment, and (3) the increased costs to agencies of personnel benefits required by law, such as increased FERS costs.

The inflation adjustments use, for most discretionary appropriations, the percentage by which the average of the estimated GNP implicit price deflator for the fiscal year exceeds the average for the previous fiscal year. For FY 1988, this inflator is specified as 4.2 percent, the estimate in the President's July 15 mid-session budget review. For all Federal personnel costs in 1988, and for 70 percent of personnel costs in 1989–1993, the inflator is reduced if pay raises would be in effect for only part of the fiscal year, and is also reduced to account for 22 percent historical pay absorption.

5. Sequestration Formula and Calculations

Current Law

The 1985 Balanced Budget Act stipulates a formula under which half of the required outlay reductions must come from defense programs (budget accounts in the National Defense (050) function, except for accounts of the Federal Emergency Management Agency) and the other half must come from non-defense programs.

Under the Act, sequestration calculations are then made according to the following steps. The amount of outlay reductions from programs with automatic spending increases is calculated and the savings credited. Savings made in Federal civilian and military retirement and disability programs are credited half to defense and half to non-defense programs; savings made in three other programs—the National Wool Act, the special milk program, and vocational rehabilitation—are credited to non-defense programs only. (The Omnibus Budget Reconciliation Act of 1986 exempted from sequestration all of the Federal retirement and disability programs, leaving only the other three programs covered by this step.)

For defense programs, the remaining required outlay reductions are determined by applying a uniform reduction percentage to the accounts subject to sequestration.

For non-defense programs, calculations of outlay savings from certain programs covered by special rules (guaranteed student loans, foster care and adoption assistance, Medicare, and certain specified health programs) are made and credited toward the required outlay reductions for nondefense programs. Then, the remaining required outlay reductions are determined by applying a uniform reduction percentage to the non-exempt accounts.

As stated previously, current law requires that any differences between the OMB and CBO Directors regarding the baseline estimates or calculations of the amounts to be sequestered be averaged in the joint report.

The initial and revised joint reports must be based on the same economic and technical assumptions and methodologies; the revised report would make adjustments only to reflect laws enacted and regulations promulgated after the issuance of the initial report.

Senate Amendment

The Senate amendment does not propose any changes in the formula or rules for making sequestration calculations. Further, the Senate amendment requires that any differences in the estimates and calculations of the OMB and CBO Directors be averaged only in the preliminary joint reports. There is no averaging requirement for the triggering report, which is issued independently by the OMB Director.

Conference Agreement

The conference agreement retains the basic formula under which half of the required outlay reductions must come from defense programs and the other half must come from nondefense programs. Also, the conferenece agreement retains the procedure under which savings made in the three programs with automatic spending increases are credited to nondefense programs.

Further, the requirement that any differences in the estimates and calculations of the OMB and CBO Directors be averaged is eliminated (the Directors issue reports independently).

The conference agreement changes the manner in which reductions made in programs covered by special rules are credited. First, outlays savings for the guaranteed student loan and foster care and adoption assistance programs are calculated and applied to the required non-defense outlay reductions.

Second, the remaining required outlay reductions for non-defense programs are determined by applying a uniform reduction percentage to the non-exempt accounts (except that reductions made in the Medicare and certain specified health programs shall not exceed 2 percent). Thus, in the case where the uniform percentage is less than 2 percent, all non-exempt non-defense programs, including the health programs, would be sequestered by that uniform percentage. If the uniform percentage were, for example, 3 percent, then the specified health programs would be reduced by 2 percent and the uniform percentage applicable to all other programs would be increased to a higher uniform percentage to achieve the total required non-defense outlay reductions. This result would be the same as existing law.

6. Special Rules for Medicare for Fiscal Year 1988

Current Law

At the beginning of FY 1988, several changes pursuant to law or regulation will take effect which have an impact on the operations and costs of the Medicare programs established under Title XVIII of the Social Security Act.

Senate Amendment

The provisions of the Senate amendment relating to Medicare do not specifically address these changes.

Conference Agreement

The conference agreement includes a provision which freezes certain Medicare payment rules, and which prohibits the Secretary of Health and Human Services from promulgating certain regulations, during an extension period beginning on October 1, 1987 and ending on November 20, 1987.

The provision modifies changes that would otherwise become effective on October 1, 1987 for payments to hospitals for inpatient services as follows:

(A) The applicable percentage increase or update factor which increases hospital payments on an annual basis would be frozen at zero percent for all Prospective Payment System (PPS) hospitals for discharges occurring during the extension period.

(B) The transition from a blended payment based upon regional and national rates to a wholly national rate in the non-hospital-specific or Federal portion of a hospital's payment would be delayed for all discharges for all PPS hospitals until November 21, 1987. As of that date the Federal portion of the payments would be based solely on national rates.

(C) The current blend of a 25 percent hospital-specific rate and a seventy-five percent Federal rate would be extended to include the first 51 days of each PPS hospital's cost reporting period beginning in FY 1988.

(D) The current 3.5 percent reduction in payments for capital would be extended through November 20, 1987, rather than changing to seven percent on October 1, 1987.

(E) The current policy of paying 75 percent of inpatient hospital return on equity to investor-owned hospitals would be extended to include the first 51 days of any hospital cost reporting period beginning in FY 1988.

(F) The applicable percentage increase or update factor that applies to hospitals that are exempt from PPS would be zero percent for the first 51 days of any hospital cost reporting period beginning in FY 1988. The conferees wish to make clear that in applying the target amount to PPS-exempt hospitals for cost reporting periods beginning during FY 1988 the Secretary would be authorized to use a prorated applicable percentage increase in order to take the effect of this provision into account.

The provision would prohibit the Secretary of Health and Human Services from promulgating any final regulation after September 18, 1987 and before November 21, 1987 relating to payments to hospitals for bad debt resulting from uncollected deductibles or coinsurance of Medicare beneficiaries.

The Secretary would be prohibited from implementing the final regulation issued September 1, 1987 which changes the payment policy for return on equity capital relating to hospital outpatient services.

The Secretary would be prohibited from promulgating any final regulation, instruction, or policy change after September 18, 1987 and before November 21, 1987 which would be primarily intended to slow down claims processing or the payment of claims. The conferees are aware that some regulations, instructions, or policies, such as the secondary payer and medical review requirements, may have a marginal effect on the average time between receipt and payment of claims by intermediaries and carriers. The conferees do not intend this prohibition to apply where the delay in processing or payment is a minor side effect of a policy change.

The Secretary would also be prohibited from implementing any final regulation, instruction, or other policy after September 18, 1987 and before November 21, 1987, unless specifically required by statute (including the requirements of this section) which would result in a net deficit reduction in Medicare expenditures in FY 1988 of more than $50 million.

These prohibitions would not apply to regulations necessary to implement the policies relating to periodic interim payments required by the Omnibus Budget Reconciliation Act of 1986.

The provision also delays until November 21, 1987 the effective date of Section 1138 of the Social Security Act relating to hospital protocols for organ procurement, requirements for transplant programs, and standards for organ procurement agencies.

The conferees intend that the net Federal budgetary savings which occur as a result of the temporary extension of Medicare payment policies in this legislation will be credited toward deficit reduction totals for the Medicare program during the consideration of the FY 1988 reconciliation legislation, to the extent that they are not altered for this period of subsequent legislation.

7. Flexibility With Respect to National Defense

Current Law

In the application of the FY 1986 sequestration, the 1985 Balanced Budget Act granted the President certain flexibility not provided in subsequent fiscal years. First, in the determination of the defense budget base subject to sequestration, the President was permitted to fully or partially exempt military personnel accounts. The uniform percentage reduction made in remaining defense programs, projects, and activities (PPAs) was increased accordingly so that the total required defense outlay reduction would not change.

Second, for FY 1986, the President was given the discretion to partially or fully exempt any defense program, project, or activity from sequestration provided each defense budget account was reduced by the uniform percentage. Budget authority for other defense programs, projects, and activities within the same account could be reduced by up to two times more than the uniform percentage to compensate for the savings not generated from protected programs. In exercising this flexibility, the President was not allowed to increase funding for programs, projects, or activities above base level amounts; terminate any program, project, or activity; close any military base; or reduce funding for certain "congressional interest items" by a percentage larger than the uniform percentage.

Third, in all fiscal years, FY 1986–1991, the President is permitted to achieve some or all of the required defense outlay savings by terminating or modifying existing defense contracts provided there is no net loss to the Government as a result of specified penalties and no legal obligations are violated.

While the President made use of the first two options, he did not terminate or modify any contracts in the FY 1986 sequestration. The President was not required to issue a sequestration order for FY 1987.

Senate Amendment

The Senate amendment extends flexibility with respect to national defense programs to all fiscal years covered by the revised timeframe, FY 1988–1992. First, the President is permitted in all fiscal years to fully or partially exempt military personnel accounts from sequestration as provided by the 1985 Balanced Budget Act for FY 1986. Second, the Persident may propose an alternative defense plan that includes reductions or increases in funding for specific defense programs, projects, or activities provided that the total required defense outlay reduction is achieved. Any defense program, project, or activity (except military personnel) could be reduced or terminated to make up for the savings not generated from protected programs. No domestic military bases could be closed.

The President's proposal would not take effect without congressional approval. Both Houses of Congress would consider the President's proposed changes to the sequestration order with respect to national defense under expedited procedures in the form of a joint resolution that could be amended.

Further, the Senate amendment eliminates the President's option to modify or terminate existing defense contracts.

Conference Agreement

The conference agreement restores flexibility with respect to national defense programs. First, the President is permitted in all fiscal years covered by the revised timeframe, FY 1988–1993, to fully or partially exempt military personnel accounts from the defense budget base subject to sequestration. The effect of this provision would be to increase the uniform percentage reduction made in all remaining defense accounts so that the total required defense outlay reduction would not change.

The President may not use this option without notifying Congress on or before August 15 (October 10 in the case of FY 1988) of the manner in which he intends to exercise it, and the initial and final sequestration reports prepared by the Directors of CBO and OMB shall reflect the President's use of this option.

Second, the President is granted discretion to propose further reductions in defense programs, projects, and activities (other than those in military personnel accounts) beyond those provided for in the final sequestration order. To the extent that the President chooses to exercise this option, he may propose lesser reductions in budgetary resources for other defense programs, projects, and activities, as long as (1) the resulting outlay increases do not exceed the additional outlay reductions made and (2) no funding for a program, project, or activity is increased above the level actually made available by law in appropriations acts (before taking sequestration into account). In making calculations under this procedure, the President must use the account and PPA outlay rates used by the OMB Director in the revised sequestration report.

The President may not use this option to close or realign any domestic military bases or to eliminate any program, project, or activity.

In addition, the President may not exercise the authority provided by this option unless he first submits to Congress, before November 25, 1987 for FY 1988, and, for subsequent fiscal years, October 20 of such fiscal year, a report specifying the changes proposed, and Congress enacts into law a joint resolution affirming or modifying the changes. The conference agreement establishes expedited procedures for House and Senate consideration of the joint resolution, which must be introduced by the Majority Leaders of both Houses within 5 days after the President submits the report. The joint resolution is referred to the Appropriations Committee of each House, subject to an automatic discharge procedure, and is subject to amendment in either House.

If the report is not timely submitted, it may still be considered, but under normal procedures, without the protection of expedited consideration.

Finally, the conference agreement eliminates procedures to modify or terminate existing defense contracts.

8. Modification of Presidential Order

Current Law

Current law does not provide a procedure for the modification of a presidential order.

Senate Amendment

The Senate amendment provides an expedited procedure for congressional action—between October 15 and October 20—on a joint resolution introduced by the Majority Leader of either House that could require the President to issue a sequestration order for a specified amount, modify the order most recently issued by the President, or for FY 1989 only, cancel the order if the deficit has been reduced by at least $36 billion. A resolution under this section is not referred to committee and is placed directly on the calendar. A motion to proceed to the consideration of the measure is in order at any time. The resolution is amendable and debate is limited to 10 hours.

Conference Agreement

The conference agreement provides an expedited procedure under which Congress may enact a joint resolution requiring the President to modify the most recent sequestration order, including modifications that effectively cancel it. The Majority Leader of either House may introduce such a joint resolution within 10 calendar days of session of that session after the OMB Director issues the revised sequestration report (but no other joint resolution shall be considered under the expedited procedures). Under this procedure, the joint resolution is not referred to committee and may be amended in either House.

9. Programs and Activities Exempted From Sequestration

Current Law

The 1985 Balanced Budget Act exempts specified programs and activities, as well as certain types of programs and activities, from sequestration. The major programs exempted under the Act are Social Security benefits, net interest, certain low-income programs, veterans' compensation and pensions, and regular State unemployment insurance benefits. Prior legal obligations of the Federal Government in certain specified accounts also are exempt, as well as the program bases of certain programs whose automatic increases are subject to sequestration. Federal administrative expenses for most otherwise exempt programs, however, are subject to sequestration.

After the 1985 Balanced Budget Act became law, Congress enacted other legislation exempting particular programs and activities from sequestration: (1) the Panama Canal Commission Authorization Act, Fiscal Year 1987 (P.L. 99-368); (2) the Insular Areas Regulation Act (P.L. 99-396); the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509); the Omnibus Veterans' Benefits Improvement and Health Care Authorization Act of 1986 (P.L. 96-576); the Palau Compact of Free Association Act (P.L. 99-658); and the Competitive Equality Banking Act of 1987 (P.L. 100-86). Only the exemption of the Dual Benefits Payments Account (in the Omnibus Budget Reconciliation Act) and the exemptions in the Competitive Equality Banking Act (i.e., the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration and its central liquidity facility and credit union share insurance fund) were made as direct amendments to the 1985 Balanced Budget Act.

The new exemptions include, among others, automatic spending increases for Federal military and civilian retirement and disability programs.

Senate Amendment

The Senate amendment adds 14 budget accounts to the list of exemptions provided in the Act. These additions incorporate into the list accounts exempted by legislation enacted after the 1985 Balanced Budget Act had become law and other accounts whose inclusion in the sequestration process raises legal or technical problems, such as interest payments for the Washington Metropolitan Area Transit Authority (46-0300-0-1-401) and the thrift savings fund of the Federal Retirement Thrift Investment Board (26-8141-0-7-602).

Conference Agreement

The conference agreement adds to the list of exemptions provided in the Act accounts specified in the Senate amendment. In addition, the conference agreement clarifies that the Commodity Supplemental Food Program (12-3512-0-1-605) is exempt; this program was exempted in previous sequestration reports. The child support enforcement program has been moved to the AFDC budget account (an exempted account); the conferees do not intend that the child support enforcement program should be exempted as a result of this change. Finally, the conference agreement lists specifically all of the accounts exempted by virtue of later enactments, except for the Dual Benefits Payments Account and programs exempted by the Competitive Equality Banking Act (which were incorporated at the time of enactment into the 1985 Balanced Budget Act).

Technical revision of list of exempt programs

The conference agreement also includes a technical revision of section 255 to reflect exemptions enacted since the passage of the Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177. Some of these exemptions are also codified in section 113 of title 38, United States Code. The conferees are including these programs in the text of the Balanced Budget and Emergency Deficit Control Act of 1985 in order to insure that there is no possibility of construing the amendments made by this Act as in any way affecting those provisions. The conferees do not intend to disturb the effect of the exemptions or any other provisions pertaining to this matter addressed in section 113 of title 38.

10. Compliance Report by the Comptroller General

Current Law

The 1985 Balanced Budget Act requires the Comptroller General (the head of the General Accounting Office) to submit to Congress and the President a report by each November 15 certifying whether the final sequestration order issued by the President complies fully and accurately with the requirements of the Act.

Senate Amendment

The Senate amendment modifies the provision dealing with the GAO compliance report to require that the Comptroller General also (1) assess whether the OMB Director's sequestration reports comply fully and accurately with the requirements of the Act and (2) make recommendations for improving sequestration procedures.

Conference Agreement

The House recedes and concurs in the Senate amendment.

B. BUDGET PROCESS REFORM

H.J. Res. 324, as passed by the House, does not contain any provisions dealing with budget process reform. Senate amendment numbered 3 in part adds a new Title II (Budget and Fiscal Procedures) to the joint resolution; Part B of Title II contains various budget process reforms. The Senate amendment in part also adds a new Title III (Credit Reform). The conference agreement adds a new Title II (Budget Process Reform).

1. Economic and Technical Assumptions

Current Law

Under current practices, the House and Senate may consider budget resolutions that contain figures based on more than one set of economic and technical assumptions, as was the case when the Senate considered the budget resolution for FY 1988. Additionally, the House and Senate may differ with respect to certain economic and technical assumptions upon which enforcement of the budget resolution is based.

Senate Amendment

The Senate amendment (Section 231(a)) amends Section 301(g) of the 1974 Budget Act to prohibit in the Senate the consideration of a budget resolution that contains figures based on more than one set of economic and technical assumptions, and to require that enforcement of the budget resolution in the House and Senate be based upon the common economic and technical assumptions set forth in the joint explanatory statement accompanying the conference report on the budget resolution.

Conference Agreement

The House recedes and concurs in the amendment of the Senate.

2. Enforcement of Spending and Deficit Levels in Budget Resolutions

Current Law

The budget resolution adopted each year by Congress sets aggregate spending and revenue levels for the next three fiscal years. Congress enforces the spending and revenue aggregates in the budget resolution largely through points of order established in Title III of the 1974 Budget Act.

Under Section 311(a) of the Act, spending or revenue legislation may not be considered in the House or Senate if it would cause the aggregate levels in the budget resolution to be breached, or, in the Senate only, if it would cause the maximum deficit amount for the fiscal year to be exceeded. However, Section 311(b) provides an exception, in the House only, to this point of order—the "Fazio exception"—which permits the House to consider spending legislation that violates aggregate spending levels in the budget resolution so long as the new discretionary budget authority or entitlement authority provided in the measure is within the appropriate committee's allocation of spending under the budget resolution.

Senate Amendment

The Senate amendment (Section 222) repeals Section 311(b) of the Act, the Fazio exception, and amends Section 311(a) to establish in the House the point of order against legislation that would cause the maximum deficit amount for the fiscal year to be exceeded.

Conference Agreement

The Senate recedes from its amendment.

3. Section 302 Allocations of Spending to Committees

Current Law

Under Section 302(a) and (b) of the 1974 Budget Act, aggregate spending levels in the budget resolution are allocated to committees and then further subdivided by those committees either by subcommittee or by program. Section 302(f), added by the 1985 Balanced Budget Act, prohibits the consideration of any spending measure that would cause a committee's spending subdivisions to be exceeded.

The House and Senate enforce Section 302 procedures differently. One major difference is that the House does not provide for a point of order against violations of outlay subdivisions.

Senate Amendment

The Senate amendment (Section 223) amends Section 302(f)(1) of the Act to provide for a point of order in the House against spending legislation violating a committee's subdivision of outlays.

Conference Agreement

The Senate recedes from its amendment.

4. Budget Act Waivers and Appeals in the Senate

Current Law

The House and Senate may waive points of order under the 1974 Budget Act by various means, including, in the Senate, motions made under Section 904(b) of the Act. Until the enactment of the 1985 Balanced Budget Act, waivers of the 1974 Budget Act, including motions made under Section 904(b), required the approval of only a simple majority. Section 271(a) and (b) of the 1985 Balanced Budget Act established in the Senate requirements for a three-fifths votes of all Members (60 Members) to waive most points of order under Title III of the 1974 Budget Act. However, because rulings by the Chair on these points of order can be overturned upon appeal by a simple majority of the Senate, the three-fifths vote requirements for Budget Act waivers can be circumvented if a ruling on a point of order is successfully applied.

Most of the three-fifths vote requirements under Section 271 of the 1985 Balanced Budget Act expire on September 30, 1991.

Senate Amendment

The Senate amendment (Section 233) amends Section 271 of the 1985 Balance Budget Act to extend the requirement for a three-fifths vote of the Senate for certain waivers of the 1974 Budget Act to appeals of rulings by the Chair. Further, the Senate amendment (Section 234) adds Section 302(c) of the 1974 Budget Act, which prohibits the consideration of spending legislation before a committee has reported its subdivisions of spending under Section 302(b), to the list of sections that require a three-fifths vote for waiver or appeal.

The Senate amendment changes the expiration date of the three-fifths vote requirements under Section 271 to September 30, 1992.

Conference Agreement

The House recedes and concurs in the Senate amendment, except that the expiration date of the three-fifths vote requirements under Section 271 is changed to September 30, 1993.

5. Time Limit for Conference Reports on Budget Resolutions

Current Law

Section 305(c)(2) of the 1974 Budget Act establishes time limits for debate on the conference reports on budget resolutions and reconciliation legislation. However, it is not clear from the language whether the time limit applies to appeals, debatable motions, and amendments in disagreement.

Senate Amendment

The Senate amendment (Section 232) amends Section 305(c)(2) to specifically include in the time limit "all amendments in disagreement, and all amendments thereto, and debatable motions and appeals in connection therewith."

Conference Agreement

The House recedes and concurs in the Senate amendment. The conferees intend that all debate on the conference report should fall within the established time limits.

6. Extraneous Provisions in Reconciliation Legislation

Current Law

Title XX of the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272), as amended by Section 7006 of the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509), established a temporary rule in the Senate—referred to as the "Byrd Rule"—to exclude extraneous matter from reconciliation legislation. The rule specifies the types of provisions considered to be extraneous, provides for a point of order against the inclusion of extraneous matter in reconciliation measures, and requires a three-fifths vote of the Senate to waive or appeal the point of order. The rule expires on January 2, 1988.

Senate Amendment

The Senate amendment (Section 228) amends the Byrd Rule (which applies only in the Senate) to include in the definition of extraneous matter provisions which increase net outlays or decrease revenues during a fiscal year beyond those fiscal years covered by the reconciliation measure and which result in a net increase in the deficit for that fiscal year. The Senate amendment also extends the expiration date of the Byrd Rule to September 30, 1992.

Conference Agreement

The House recedes and concurs in the Senate amendment. This rule applies only in the Senate.

It is the intent of the conferees that expiration after the reconciliation period of a revenue increase or extension provided for in a reconciliation bill would not, of itself, be considered a revenue decrease for purposes of this provision. It could, however, contribute to a finding that a spending increase or a positive revenue decrease in that legislation violated this rule.

7. Prohibition Against Counting Certain Actions as Savings

Current Law

Under current practice, the deficit for a fiscal year can be reduced by transferring certain actions by the Federal Government between that fiscal year and another fiscal year, even if the deficit for the other fiscal year is increased as a result.

Senate Amendment

The Senate amendment (Section 225) provides that a transfer of any action by the Federal Government—including payments, expenditures, asset sales, and the collection of revenues and receipts—from one fiscal year to an adjacent fiscal year shall not be treated as reducing the deficit for the fiscal year from which the transfer is made unless, as a result of the transfer, the deficit for the period covered by both fiscal years is reduced by at least $100 million.

The Senate amendment specifies the conditions for determining (for purposes of this requirement) whether an action by the Federal Government constitutes a transfer and further specifies that its provisions shall be enforced on the basis of estimates made by the House and Senate Budget Committees.

Conference Agreement

The conference agreement prohibits the savings resulting from the transfer of outlays, receipts, or revenues from one year to another to be counted as changing the deficit, except for certain types of transfers identified in law. The conferees recognize that the determinations required under this provision for the 1974 Budget Act will be based on estimates made by the House and Senate Budget Committees.

8. Extension of State and Local Government Cost Estimates

Current Law

The State and Local Cost Estimate Act of 1981 (Public Law 97-108) amended the 1974 Budget Act to require that the Congressional Budget Office (CBO) estimate the cost to State and local governments of authorizing legislation reported by House or Senate committees. The Act expires on September 30, 1987.

Senate Amendment

The Senate amendment (Section 227) repeals the expiration date of the State and Local Cost Estimate Act, thus extending indefinitely the CBO reporting requirement on State and local costs.

Conference Agreement

The House recedes and concurs in the Senate amendment.

9. Codification of Law Regarding Deferral Authority

Current Law

The Supreme Court in *Immigration and Naturalization* v. *Chadha,* 462 U.S. 919 (1983), held legislative vetoes unconstitutional. Applying *Chadha,* the Court of Appeals in *City of New Haven* v. *United States,* 809 F. 2d 900 (D.C. Cir. 1987), struck down Section 1013 of the 1974 Impoundment Control Act, dealing with deferrals, thereby denying the President his sole statutory authority to make deferrals for policy reasons. The Court noted its view that the Executive's power to defer was now limited to so-call programmatic deferrals under the Antideficiency Act, which it characterized as dealing with "routine" and "trivial" matters "relating to the normal and orderly operation of the Government that Congress expected to present little controversy." The reporting requirements of Section 1013 have continued in force by virtue of other statutory reference to that section.

Section 1015 of the 1974 Impoundment Control Act directs the Comptroller General to report to Congress when he determines that the President has failed to transmit a special message with respect to a deferral or rescission, or has incorrectly classified an action in such message. Section 1016 of the Act empowers the Comptroller General to bring a civil action to require that unlawfully impounded budget authority be made available for obligation. The Comptroller General has expressed the view that he lacks authority to take any action to compel the release of impounded funds since such authority was linked to the invalidated Section 1013.

Senate Amendment

The Senate amendment (Section 229) enacts a new Section 1013 that codifies the *New Haven* decision and General Accounting Office administrative interpretations by prohibiting policy deferrals and providing that deferrals will be permissible only: (1) for contingencies, (2) for efficiency, or (3) as specifically provided for by law. Programmatic deferrals must be reported to the Congress and be accompanied by a detailed description and justification of the proposal. Deferrals may not be proposed for any period extending beyond the end of the fiscal year in which the proposal is reported.

The Senate amendment also reaffirms the Comptroller General's authority under Sections 1015 and 1016 of the Act to initiate suits to compel the release of impounded funds and his duty to safeguard Congress' institutional interest in the spending process.

Conference Agreement

The House recedes and concurs in the Senate amendment.

10. Clarification of Congressional Intent Regarding Rescission Authority

Current Law

Section 1012(b) of the 1974 Impoundment Control Act empowers the President to withhold spending appropriated funds during a period of 45 days of continuous session while Congress considers a rescission proposal. Under General Accounting Office interpretations which allow preparation time for the submittal message, and because certain days are not counted as days of continuous session, rescission proposals sometimes result in appropriated funds being withheld for up to 75 or more calendar days. Seriatim proposals covering the same subject matter have the effect of extending indefinitely the period of unavailability.

Senate Amendment

The Senate amendment (Section 230) adds language to Section 1012(b) to prohibit the Executive practice of submitting seriatim rescission messages covering similar matter when Congress fails to act on such proposals within the statutory 45-day period. The Senate amendment limits the Executive to one rescission proposal in any year regarding substantially the same budget authority.

Conference Agreement

The conference agreement amends Section 1012(b) of the Impoundment Control Act of 1974 to prohibit proposals to rescind budget authority which were the object of a previous rescission proposal not accepted by Congress. The conferees intend that the President be allowed to propose one rescission for any given activity. If the rescission proposal for that activity is not agreed to by Congress, no further rescission proposal for that activity would be allowed during the availability of that appropriation.

The conference agreement is not meant to diminish the restriction on the Executive from the Senate amendment. The conferees intend that the conference agreement will cover cases in which the Executive seeks to rescind substantially the same budget authority, not just exactly the same budget authority.

The conferees intend that authority granted to the President under this Act regarding the sequestration process shall in no way augment the authority available to him, and the requirements imposed on him, under existing law regarding the deferral or rescission of funds.

11. Two-Year Appropriations

Current Law

Under current practices, the House and Senate provide most new budget authority for a fiscal year in the form of annual appropriations acts (i.e., regular, supplemental, and continuing appropriations acts). Most appropriations within such an act are available for obligation only during the fiscal year, but some are available for two or more fiscal years.

Senate Amendment

The Senate amendment (Section 224) expresses the sense of the Congress that legislation experimenting with two-year appropriations for selected budget subfunctions shall be adopted as part of reconciliation legislation required by the FY 1988 budget resolution (H. Con. Res. 93, adopted June 24, 1987).

Conference Agreement

The conference agreement urges the Congress—under a plan to be developed by the appropriate committees in consultation with the leadership of both Houses and in cooperation with the Executive Branch—to experiment with multiyear authorizations and two-year appropriations for selected agencies and accounts, and to evaluate the experiment once completed.

12. Credit Reform

Current Law

Current law regarding the treatment of credit activities in the budget process is under the law.

Senate Amendment

Senate amendment numbered 3 in part adds a new title (Title III—Credit Reform), to be cited as the "Federal Credit Reform Act of 1987," to the joint resolution.

The Senate amendment establishes the scoring of direct loans and guarantees on the basis of subsidy costs, defined as the present value of the direct costs to Government to extend credit assistance.

Beginning in FY 1989, agencies would receive an appropriation for the subsidy costs of loans and loan guarantees expected during the year. Deposit insurance agencies are not required to have subsidy appropriations. For entitlement programs funded by permanent indefinite appropriations, indefinite amounts will be requested for subsidies, but specific estimates will be included in the budget.

The subsidy calculations take into account direct Government outlays and lost or delayed repayments. Fees and premiums paid by borrowers would reduce the subsidy estimate. The term "subsidy" also refers to changes in the terms of loans that have the effect of increasing the Government's cost, including loan forgiveness, waiving of penalties, and other changes in the terms of a loan agreement. Agencies will include an estimate of the subsidy costs of such changes in their requests for appropriations.

The Senate amendment establishes a Federal credit management agency in the Treasury Department to supply and verify subsidy elements and to study and recommend improvements in Federal agency credit management.

The Senate amendment neither requires nor authorizes the selling of direct loans; the title prohibits the reinsurance of loan guarantees.

Two kinds of budget accounts are established for credit programs—a subsidy account and a financing account. Amounts appropriated for loan subsidies would be credited to the subsidy account and paid into the financing account as the loan is disbursed. All of the unsubsidized cash flow associated with loans made after October 1, 1988 (including loan disbursements, repayments, default claims, and fees and premiums paid by borrowers), would be assigned to a financing account.

Assets and liabilities resulting from loans made before FY 1989 will be transferred to financing accounts as well.

All of these financing accounts will be assigned to a separate and newly established budget function. Amounts in this function would not be allocated to committees and would not be counted when determining compliance with various sections of the 1974 Budget Act.

Because both the financing and subsidy accounts are on-budget, the credit reform title would have no impact on the cash-flow measure of the deficit.

Agencies have authority to borrow from the Treasury to cover the obligations of these financing accounts. For new loans, an agency may borrow to cover the unsubsidized financing requirements of a program if sufficient resources are not available in the financing account. For example, an agency might receive an appropriation of $10 million to make direct loans with a face value of $50 million. It would borrow $40 million in order to disburse these loans and would recover this amount with borrower repayments. The bill would also extend this borrowing authority to obligations associated with loans made before FY 1989. An agency would redeem its debt with Treasury as borrowers repay their loans. If it did not have sufficient funds, the agency would have to request an appropriation to liquidate the debt.

The Senate amendment makes it out of order in either House to consider an appropriations bill which provides new credit authority, for programs that are estimated to require a subsidy, but does not also provide an appropriation for that subsidy cost.

Finally, the Senate amendment states that nothing in the title should be construed as altering the underlying terms and conditions of, or eligibility for, or the amount of assistance provided by, any Federal direct loan or loan guarantee.

Conference Agreement

The conference agreement deletes the Senate language establishing a credit reform title and directs the Congressional Budget Office, in consultation with the General Accounting Office, to study and report to Congress on Federal credit programs for FY 1987 and FY 1988. The report, which shall be submitted to the committees of jurisdiction as soon as practicable, must address and make recommendations on the following areas: (1) more accurately measuring the costs of Federal credit programs, (2) comparing the cost of Federal credit programs to other forms of assistance, and (3) improving the allocation of resources between credit programs and other programs. The report shall also consider how to include information on the cost of Federal credit programs in the budget process.

13. Financial Management Reform

Current Law

Current law, such as the Federal Managers' Financial Integrity Act (Public Law 97-255), addresses certain aspects of financial management improvement. However, a comprehensive statutory framework for financial management reform does not exist.

Senate Amendment

The Senate amendment (section 226) states the sense of Congress that Congress shall adopt, as part of reconciliation legislation, a plan to ensure improvements in the Government's financial management.

Conference Agreement

The conference agreement urges the Congress to undertake coordinated effort to identify problems in Federal financial management, develop specific proposals for reform, and consider the use of generally accepted accounting principles in Federal financial management systems.

14. Date of Submission of the President's Budget

Current Law

Under current law (31 U.S.C. 1105(a)), the President must submit his budget each year by the first Monday after January 3. Prior to this change in law, which was included in the 1985 Balanced Budget Act, the President was required to submit his budget within 15 days after a session of Congress convened.

Senate Amendment

The Senate amendment (Section 206) changes the deadline in 31 U.S.C. 1105 (a) for submission of the President's budget to the first

Monday after January 17 and makes certain conforming changes in 31 U.S.C. 1109(a) and Section 300 of the 1974 Budget Act.

Conference Agreement

The Senate recedes from its amendment.

15. House and Senate Rulemaking Powers

Current Law

The Constitution empowers the House and Senate to determine and revise their rules of procedure at any time. Section 271(c) of the 1985 Balanced Budget Act and Section 904(a) of the 1974 Budget Act states that certain provisions of those acts were enacted as an exercise of the rulemaking powers of the House and Senate.

Senate Amendment

The Senate amendment (Section 235) states that provisions included under Part B of the amendment (entitled "Budget Process Reforms") are enacted as an exercise of the rulemaking power of the House and Senate, with the full recognition of the constitutional right of either House to change them at any time.

Conference Agreement

The conference agreement provides that the amendments made by this Act are enacted as an exercise of the rulemaking powers of the House and Senate.

IV. MISCELLANEOUS PROVISIONS (FEDERAL SALARY ACT AMENDMENT)

Current Law

Under the Federal Salary Act of 1967, as amended, the Commission on Executive, Legislative, and Judicial Salaries makes recommendations every four years to the President as to the salaries for Members of Congress and certain other officers and employees of the United States. The President in turn is required to submit his recommendations as to the rates of pay for those officials as a part of his budget submitted after he receives the recommendations of the Commission. Those recommendations of the President go into effect unless Congress agrees to a joint resolution disapproving them within 30 days after the date on which they were made.

House Joint Resolution

H.J. Res. 324, as passed by the House, does not contain any provisions dealing with the Federal Salary Act of 1967.

Senate Amendment

Senate amendment numbered 4 provides that the recommendations of the President concerning the salary rates for Members of Congress and certain other officers and employees of the United States would become effective only if they are approved by a joint resolution agreed to by the Congress.

Conference Agreement

The Senate recedes from its amendment.

From the Committee on Appropriations:
John P. Murtha,
Bob Traxler,
Mickey Edwards,
Jerry Lewis,
From the Committee on the Budget:
William H. Gray,
Howard Wolpe,
Marvin Leath,
Willis D. Gradison, Jr.,
Connie Mack,
From the Committee on Government Operations:
Jack Brooks,
Frank Horton,
From the Committee on Rules:
Claude Pepper,
Butler Derrick,
Trent Lott,
From the Committee on Ways and Means:
Dan Rostenkowski,
Sam M. Gibbons,
J.J. Pickle,
Charles B. Rangel,
Pete Stark,
Andrew Jacobs, Jr.,
Ed Jenkins,
Marty Russo,
Robert T. Matsui,
John Duncan,
Bill Archer,
Richard Schulze,
William Thomas,

Additional conferees:

Thomas S. Foley,
William D. Ford,
Les Aspin,
Mary Rose Oakar,
Leon Panetta,
Vic Fazio,
Buddy MacKay,
Bill Frenzel,
Ralph Regula,
Judd Gregg,
Lynn Martin,
Nancy L. Johnson,
Managers on the Part of the House.

Lloyd Bentsen,
Daniel Moynihan,
Spark M. Matsunaga,
Lawton Chiles,
Fritz Hollings,
Carl Levin,
Bob Packwood,
Phil Gramm,
Managers on the Part of the Senate.

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